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ESTABLISHED 1887

For Palestinian Collaborators, a Time of Panic

By David Hoffman Washington Post Service FAHME, Israeli-occupied West Bank — Just about every village in the West Bank unfurled Palestinian flags to celebrate the accord between Israel and the Palestine Liberation Organization. But the flags did not flutter over the concrete block houses in Fahme. Instead, panic set in. The people of this village are admitted collaborators, Palestinians who have provided information about fellow Palestinians to Israel's secret services and army. Driven out of their homes and villages, often by violent Palestinian gangs waging a war against suspected informers, the residents of Fahme live in a protected camp, guarded by Israeli troops. They are armed with Israeli weapons in their homes and whenever they leave the village. The prospect that outside their gates in a few months will be an independent Palestinian government, with thousands of its own policemen and its own jails and justice system, brought fear rather than cheer to Fahme.

It is a nightmare for many of the admitted informers. There is no return to their old villages in the West Bank. They all desperately want to be taken back into Israel, but there are no guarantees, and no one knows what will happen now. "We are like a cat in a cage," said Ahmed Hamarshe, the village leader, sitting by a telephone that rang constantly with calls from either the Israeli security services or other collaborators. "If there is a small opening in the cage, the cat will still try to get out. We will all try to get out from any window." When the agreement between Israel and the Palestinians was published, the collaborators discovered that it provides for a "strong" Palestinian police force to take care of "internal security." But nothing was said about their fate. Would they be left to defend themselves? Would they be put on trial by the Palestinians? Could they find protection in Israel? "Yes, there is panic," Mr. Hamarshe said. "Not only here, but all over the West Bank. Hundreds are calling." The village, a former Jordanian military base in the hills near Jenin, is sanctuary to 1,042 residents, many of them family members who sought refuge there when brothers and fathers were accused of, or admitted to, being collaborators with the Israelis. Most Palestinians avoid the village, where Israeli Army trucks roll in and out. The village budget comes from Israel. Fahme workers get special help in finding jobs, often in such institutions as hospitals run by the Israeli military. "We belong to Israel, not to Arafat," insisted Mr. Hamarshe, whose office includes a portrait of President Ezer Weizman. The portrait of the PLO chairman, Yasser Arafat, displayed everywhere else in the West Bank, is not to be found here. The fate of the collaborators is just one aspect of a sensitive and complex security problem that will quickly pose tests for both Israel and the Palestinians as they prepare to implement the agreement on self-rule in the months ahead. The agreement provides that both sides will take care of their own security. The Palestinians are supposed to bring a new police force into the territories, numbering up to 20,000, including former fighters from the Palestine Liberation Army.

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Clinton, at UN, Urges New Nuclear Treaty

Japan Leader He Wants Ban On Material For Weapons

WASHINGTON — In his first official step onto the international stage, Prime Minister Morihiro Hosokawa urged the United Nations on Monday to expand the Security Council to include other nations such as Japan and affirmed his support for an indefinite extension of the global treaty curbing nuclear weapons. Mr. Hosokawa also announced Tokyo's intention to provide \$200 million over the next two years to help underwrite economic development in Palestinian areas of the Gaza Strip and West Bank that Israel has promised to relinquish. Because of the increasing role of the United Nations in settling conflicts, the body must undertake "serious reform efforts," the newly elected prime minister said in a speech to the UN General Assembly in New York. The growing number of regional conflicts, he said, demands that the Security Council be strengthened.

By Paul F. Horvitz International Herald Tribune WASHINGTON — President Bill Clinton on Monday proposed an international treaty that would ban the production of plutonium and enriched uranium for use in nuclear weapons. It was unclear, however, whether such a ban on fissile materials would have any impact on nations that are believed to be producing such nuclear fuels but who deny it or hide it from international inspection. Some experts are dubious. A senior aide to the president said later that the United States would attempt to purchase excess enriched uranium not only from Russia but also from other unspecified countries. The aide acknowledged, however, that controlling plutonium was "much harder."

Mr. Clinton offered the proposal during his first speech to the United Nations General Assembly in New York, an address in which he also cautioned the United Nations against oversteering itself in its peacekeeping responsibilities. "The United Nations simply cannot become engaged in every one of the world's conflicts," the president said. "If the American people are to say 'yes' to UN peacekeeping, the United Nations must know when to say 'no.'"

In addition, the president vowed to bring international terrorists to justice, urged the creation of a UN High Commission for Human Rights and promised that Washington would work to enlarge the number of democracies without imposing its political will. Mr. Clinton said he was making nuclear nonproliferation "one of our nation's highest priorities," and he outlined a series of steps aimed at controlling the spread of nuclear, chemical and biological weapons and the means to deliver them. Hinting at an enforcement tool, he suggested that high-technology trade with the United States may be dependent on adherence to international nuclear controls. He said the United States intended to weave its nonproliferation strategy "more deeply into the fabric of all our relationships with the world's nations and institutions."

Mr. Hosokawa is keenly aware of these barriers. In an interview broadcast Monday in the United States, the prime minister indicated that Tokyo would not lobby vigorously for a council seat. "I believe it is desirable for Japan to let things take their course," he said. "I don't think Japan should go out of its way to carry out some campaign." As he had done soon after taking office this summer, Mr. Hosokawa told the General Assembly that his country "continues to feel a sense of remorse over its past actions" in World War II.

The test-ban comment was clearly aimed at China, which U.S. officials believe is preparing to conduct an underground nuclear weapons test. Mr. Clinton noted the growing global stockpile of plutonium and highly enriched uranium and announced that the United States would press for a permanent ban on their production "for weapons."

The prime minister put to rest reports that Tokyo was rethinking its policy on nuclear weapons when he affirmed his support for an indefinite extension of the Nuclear Nonproliferation Treaty beyond 1995. But he cautioned that such an extension "should not mean to perpetuate the possession of nuclear weapons" by nations that now have them.

Experts say, however, that there are thousands of tons of such material held not only by nations that are known to possess nuclear weapons but also by nations that have not acknowledged their entry into the atomic club. In addition, such nations as Britain, France, Japan, India and Israel reprocess nuclear fuels used in electricity generation and can, through reprocessing, produce by-products needed for nuclear weapons as well as for power plants. "This is a policy that's carefully calculated not to have an impact on anybody," said Gary Milhollin, director of the University of Wisconsin.

Mr. Hosokawa renewed Japan's financial commitment to global development, saying Tokyo intended to provide \$70 to \$75 billion in foreign aid over the next five years. And he said Japan was willing to assume "a leading role" in solving global environmental problems.

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A supporter of the hard-liners venting his anger on government forces outside the parliament building in Moscow on Monday. The mood in the building was increasingly despondent.

Yeltsin Bars Compromise, Warning of 'Power Vacuum'

Compiled by Our Staff From Dispatches MOSCOW — President Boris N. Yeltsin ruled out a compromise Monday with hard-line opponents, saying he would not accept calls for simultaneous parliamentary and presidential elections to end Russia's political crisis. Speaking on national television, Mr. Yeltsin insisted on sticking to his plan for parliamentary elections in December, with presidential elections six months later. Some of his opponents and some moderates had suggested simultaneous elections to end the crisis. "I will not make this compromise, and not with such bodies," he said. "Dual power is very dangerous today," Mr. Yeltsin added. "A power vacuum is even more dangerous, when both powers are engaged in elections and have no time to work." Numerous politicians have come out in favor of simultaneous elections, a solution also sought by the parliament, which Mr. Yeltsin ordered disbanded a week ago. Some politicians said Mr. Yeltsin could not be trusted to allow free and fair balloting if he were still in charge. Mr. Yeltsin reiterated his program: "A new federal assembly is elected, the federal assembly starts work, it passes a law for presidential elections, and then, on June 12, presidential elections are held."

His spokesman, Viatcheslav Kostikov, said that Mr. Yeltsin also had rejected a proposal from 60 of Russia's republics to annul all decrees issued since he dissolved parliament and called elections. Regional leaders, meeting Sunday in Saint Petersburg, urged the cancellation of all decrees issued since 8 P.M. on Sept. 21 either by Mr. Yeltsin, by the parliament or by Alexander V. Rutskoi, the former vice president who was named head of state by the Congress of People's Deputies.

The regional leaders also proposed that new legislative and presidential elections be held at the same time, before the end of the year. A deputy prime minister, Sergei M. Shakhrai, said Sunday in Saint Petersburg that he supported the idea of simultaneous elections, and other Yeltsin aides suggested that negotiations on a compromise with regional leaders were taking place. Demoralized hard-line lawmakers who have refused to give up the parliament building appear to be plotting a comeback.

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Shevardnadze In Hiding After Fleeing Siege

By Lee Hockstader Washington Post Service MOSCOW — Edward A. Shevardnadze, the Georgian leader, fled the Black Sea port of Sukhumi on Monday just ahead of triumphant Abkhazian rebels, who seized the city and routed its Georgian defenders after a ferocious 11-day siege. The former Soviet foreign minister, who had warned in dire terms that the fall of Sukhumi would lead in short order to the dismemberment of his native Georgia, was believed to be in hiding with his security detail in the village of Gulripshi, about 10 kilometers down the coastal road. Mr. Shevardnadze, 65, issued a bitter statement blaming Russia for inspiring the war in Abkhazia and failing to come to the rescue at the decisive last moment. "Imperialist forces staged the conflict in Abkhazia," he said. "Sukhumi could have been saved even yesterday. Only Russia could have done it and we asked Russia to do it." Diplomats and journalists who have had contact with the Abkhazian rebels say that they are aided by Russian officers, pilots and troops. Russia has maintained official neutrality in the 15-month conflict, but acknowledges that some Russian volunteers may have fought. Western diplomats in the region have expressed deepening concern about the extent of Russia's role in the Abkhazian war. Some diplomats say that Russian hard-liners who rue the collapse of the Soviet Union are using the Abkhazians as a proxy, with the goal being to punish Georgia and Mr. Shevardnadze for talking Georgia and Mr. Shevardnadze for talking too independent a stance toward Moscow. Russia was the broker of a cease-fire pact signed July 27 by representatives of the Georgian government and the Abkhazian rebels. Under the terms of the accord, the government then began moving some of its heaviest weapons out of Sukhumi. When the Abkhazians



The IMF chief, Michel Camdessus, left, GATT director, Peter Sutherland, center, and World Bank chief, Louis Preston, pressing Monday for a trade pact. Page 17.

Muslims Revolt in a Bosnian Enclave

ZAGREB, Croatia (Reuters) — Muslims declared an autonomous province on Monday in the Bihać enclave of Bosnia-Herzegovina in a revolt against Bosnia's Muslim president, Alija Izetbegovic, Croatian television said. Bihać, a mostly Muslim enclave in northwestern Bosnia, bordering Croatia, has been cut off from the Sarajevo-based central government by rebel Bosnian Serb forces since the start of the war 18 months ago. In Sarajevo, meanwhile, an assembly of Muslim leaders considered the latest peace plan put forward in Geneva. (Page 2)

Kiosk section containing market data: Dow Jones (Up 23.75, 3,566.86), Trib Index (Up 0.43%, 106.27), The Dollar (New York, Sept. 4 P.M., previous close), and Book Review (Page 7).

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How China Deals With Financial Fraud: 8 Executions

Compiled by Our Staff From Dispatches BEIJING — China executed eight young financial workers Monday in what officials called the biggest cases of public embezzlement since the 1949 Communist revolution, state media reported. China's highest court announced the death sentences Monday at a news conference, and the national television newscast said the sentences were carried out immediately. China also announced the arrest of a Chinese reporter from a Hong Kong newspaper on charges of "espionage regarding state secrets on banking." High publicity surrounding the executions and the apparently unrelenting arrest of the journalists indicated that they were part of top-level campaigns to bring order to the chaotic and primitive financial sector and to crack down on corruption. The ruling party has launched similar campaigns in the past, but all have failed to root out financial fraud.

President Jiang Zemin, who also heads the Communist Party, recently targeted corruption as a "virus" that if not checked could destroy Chinese communism. The People's Supreme Court rejected appeals from the financial workers — mostly accountants in their 20s and 30s and including one woman — and ordered them executed because of the severity of their crimes and their attempts to flee prosecution. "These people lusted for profits, were very bold and ran wild," the vice president of the court, Liu Jiachen, was quoted by state radio as saying. "They took advantage of the poor management of their banks," he said. The largest case involved theft of 33 million yuan (\$5.7 million) by five defendants in southern Hainan Province.

"This series of cases amounts to the biggest financial fraud since the founding of the new China," Mr. Liu said. State television showed the handcuffed defendants bowing their heads before panels of uniformed judges in four Chinese cities as armed police restrained them from behind. Feng Yang, guilty of embezzling funds from state-owned Huzhou Investment Trust Co. in Zhejiang Province, wept and begged in vain for clemency as her death sentence was read. In Beijing, Luo Yuhai spent nearly half the \$1.2 million in U.S. currency he embezzled from the Bank of China headquarters, the reports said. Three suspects were arrested with "huge sums of money" at China's borders as they tried to flee, reports said. Condemned criminals typically are put to death shortly after sentencing with a bullet fired into the back of the head.

North Korea Pulls Out of Nuclear Talks

Compiled by Our Staff From Dispatches VIENNA — North Korea has canceled talks about nuclear inspections and appears to be toughening its stand against checks on suspect atomic sites, the International Atomic Energy Agency said Monday. The energy agency chief, Hans Blix, said North Korea was expected to submit to full inspections under an atomic safeguards agreement it signed to ensure that nuclear material had not been diverted for weapons development. But at the opening session of the annual energy agency conference in Vienna, Mr. Blix said that North Korea's willingness to comply with safeguards appeared "to have diminished rather than grown." He said that the agency's analysis of samples obtained from North Korea suggested that "some nuclear material exists that is not reported." He called this "an important problem." Mr. Blix said this did not mean that material was being used for military purposes, but he added: "If effective inspection of declared nuclear material and installations cannot be performed, no further assurance can be given about their exclusively peaceful use." Energy agency experts have demanded access to the nuclear complex at Yongbyon, 60 kilometers (100 miles) north of Pyongyang, where it is believed that nuclear waste is being stored. North Korea insists that Yongbyon is a conventional military site and that the International Atomic Energy Agency has no right to inspect it. Agency sources said the North Korea issue was of fundamental importance to the Nuclear Nonproliferation Treaty, which comes up for renewal in 1995 and was expected to dominate the weeklong conference attended by 114 member states. At the opening of the conference, the North Korean atomic energy minister, Choe Hak

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A Muslim Assembly Weighs Bosnia Pact

President Describes Choice: 'Just War' or 'Unjust Peace'

By John Pomfret
Washington Post Service

SARAJEVO, Bosnia-Herzegovina — President Alija Izetbegovic told an influential group of Muslim leaders, who were meeting Monday to vote on the Geneva peace plan, that they must choose between "a just war and an unjust peace" as they decide the future of Bosnia.

"If you ask me personally," Mr. Izetbegovic said, "I'm undecided."

His lukewarm comments illustrated the difficulty the plan would have Tuesday when the Muslim-led government was to consider whether to support it. The plan would divide Bosnia into Croatian, Muslim and Serbian ministates.

Some Western observers are suggesting that the Bosnian government will reject the plan. If it does approve it, they predicted, the mostly Muslim government will most probably attach reservations requiring further negotiations.

Mr. Izetbegovic made his comments to 352 leading Muslims from Bosnia who were meeting a day before Bosnia's National Assembly was scheduled to vote on the plan. In representing itself as the "true voice" of the Bosnian people and holding a "mini-referendum" on the Geneva plan, the assembly on Monday posed a direct challenge to the authority of the multicultural National Assembly, which is believed to be relatively supportive of the plan.

The meeting, called the Assembly of Bosniaks, a 19th century

term for Bosnian Muslims, marked the first time that only Muslims had gathered publicly to decide the future of their corner of Bosnia.

Previously, the leaders of the government in Sarajevo had said they were committed to allowing Serbian and Croatian members of the government and parliament a chance for a meaningful vote for or against peace. However, it was clear that the assembly's decision, expected on Tuesday, would overshadow the parliament's vote.

Led by Mr. Izetbegovic, the participants in the assembly included the minister of the interior, the commander of Muslim forces and the vice president, as well as important regional leaders, clerics and writers.

Some participants announced gleefully that the meeting signaled the first step toward the creation of a Muslim state in Europe. In a speech, Alija Isakovic, an influential writer, waxed nostalgic about the Ottoman Empire and Turkish rule in Bosnia.

Others, however, professed continued support for the establishment of a multicultural society in the heart of Bosnia.

Mr. Isakovic said he supported the plan as the only way to face the "dreadful reality" in Bosnia. Vice president Ejup Ganic, however, said he was leaning toward opposing it.

"There is plenty of room for further negotiations with the Croats and the Serbs," Mr. Ganic said.



BELFAST BLAST — A shopper passing the Gloucester Street area where a car bomb exploded Monday, causing much damage but no injuries. Men claiming to represent the Irish Republican Army had stolen the car after holding a man and woman hostage.

Kohl Expands Fight Against Extremism

By Reuters

BONN — Chancellor Helmut Kohl on Monday told a forum of politicians, church leaders and representatives of groups hit in neo-Nazi attacks that Germany had to tackle the country's wave of violence at its roots.

"We all agree that violence is on

the increase and that we have to make a great joint effort to get to the roots of this evil," Mr. Kohl told the 50-member forum. The chancellor warned against searching for a single cause for the neo-Nazi violence, which has claimed at least 28 lives in the last two years.

Germany's Turkish community, which numbers 1.8 million, has been a main target of the attacks, with eight Turks killed in firebombings since November.

Mr. Kohl said it was essential to create an "environment in which violence, hatred of foreigners and political extremism were treated with the contempt they deserved."

He hinted at tougher laws to combat violence. "First of all, we should apply the current law to its full extent," he said. "If all else fails, then lawmakers have to be willing to strengthen the law."

Opposition to Heilmann

Most Germans oppose having Steffen Heilmann, a Kohl protégé, as their next president, according to a poll released Monday, Reuters reported from Bonn.

The Wickert Institute said that 74 percent of the Germans responding to the poll rejected Mr. Heilmann as a replacement for President Richard von Weizsäcker, who is retiring in May.

But 77 percent said they agreed with Mr. Heilmann's views that European union must not be imposed from above, and 76 percent shared his concern about Germany becoming crowded with foreigners.

WORLD BRIEFS

Somali Gunmen Attack UN Officials

MOGADISHU, Somalia (Reuters) — Somali gunmen fired grenades Monday at the office of the UN envoy to Somalia and attacked UN officials reopening the first law court to operate in Mogadishu since the outbreak of civil war in 1991.

The UN envoy, retired U.S. Navy Admiral Jonathan Howe, escaped when three grenades were fired at his office in the heavily guarded UN compound, UN sources said.

Gunmen also attacked UN judicial officials and Malaysian troops when they ceremonially reopened Mogadishu's main court for the first time in more than two years. A UN spokesman said that a 90-minute gun battle ensued, and that gunmen fired rocket-propelled grenades as well as automatic weapons to disrupt the ceremony.

U.S. Specialists to Help Rebuild Haiti

WASHINGTON (AP) — The United States will send 600 military construction and civil affairs specialists to Haiti beginning this week as part of a United Nations plan to restore democracy, administration officials said Monday. France, Canada, Venezuela and other Latin American nations are also expected to contribute to the mission.

The UN effort is not designed to be a traditional peacekeeping mission. Instead, the forces are to professionalize the police and the army and monitor police actions for human rights violations. In addition, the U.S. engineers and construction experts are to help build roads, bridges, hospitals, schools and housing. President Jean-Bertrand Aristide is to return from exile next month. He was deposed in September 1991.

UN Begins Inspection Visit to Iraq

MANAMA, Bahrain (AP) — The United Nations was beginning its largest inspection of Iraqi weapons sites on Monday in a step that could lead to the eventual lifting of the world trade embargo.

The UN team leader, Hakan Smeidovich, said before the flight to Baghdad that he would be inspecting "a number of declared and undeclared sites in Iraq," with the results to be compiled "so that the Security Council can make a decision."

The UN Security Council imposed an embargo on Iraq after its Aug. 2, 1990, invasion of Kuwait. The United Nations has said that the trade blockade will not be lifted until Iraq is in compliance with UN cease-fire resolutions that ended the 1991 Gulf War.

Lockerbie Suspects Make New Offer

TUNIS (Reuters) — The Libyan lawyer for the two men accused of blowing up a Pan Am airliner in December 1988 said Monday that they might agree to stand trial in Britain or the United States. The lawyer, Ibrahim Legwell, said that further negotiations would be needed, however, to ensure that the trial would be fair.

Mr. Legwell said by telephone that he had found positive signs in U.S. and British assurances that he received Sunday in a letter to the Libyan government from the United Nations secretary-general, Boutros Boutros Ghali. He had said earlier that the two Libyans, Bassem Ali Megrahi and Lamen Khalifa Fhimah, were willing to stand trial in Switzerland.

Britain, France and the United States are preparing new forms of UN sanctions against Libya if it does not hand them over by Oct. 1. The United States and Britain have accused them of planting the bomb that blew up Pan Am Flight 103 over Lockerbie, Scotland, killing 270 people.

Pakistan Says Indian Troops Killed 8

ISLAMABAD, Pakistan (Reuters) — Indian troops fighting a separatist revolt in Kashmir have fired into the Pakistan-ruled part of the Himalayan region, killing at least eight people in two weeks, official Pakistani sources said Monday.

They said 18 other people, including women and children, had been wounded by what they called indiscriminate firing on civilians in villages along a UN-monitored cease-fire line. About 200 people, including 115 women and children, fled recently from India's only Muslim-majority region to Pakistan-controlled Kashmir, the sources said.

TRAVEL UPDATE

Drive-By Gunshot Kills Miami Visitor

MIAMI (AP) — A New York City man visiting his family here was killed in what the police called an apparently random drive-by shooting. It was the third slaying of a traveler on Florida's highways in a month and another blow for the state's tourist industry.

The victim, 40, was going to dinner with two relatives when another car pulled up beside theirs Sunday night on a highway north of downtown Miami. The driver of the vehicle, apparently alone in his car, rolled down the window and fired a gunshot, striking the victim in the head.

There was no indication of any traffic dispute or interaction between the two vehicles before the shooting, the police said, and the gunman, described as being in his early 30s, sped off afterward. The name of the victim was not immediately released.

Tokyo's Haneda Airport opened a new terminal on Monday that includes an extensive shopping and restaurant area and 36 so-called boarding bridges that will eliminate the need for passengers to take buses to planes. Haneda serves domestic and shorter international routes. (AP)

Air France ground staff responsible for plane maintenance and flight plans called limited strikes for Tuesday at Paris' Orly and Roissy-Charles de Gaulle airports. Management said the strikes, limited to three hours 40 minutes at the end of shifts, were not expected to cause delays or cancellations. Unions are protesting plans to cut 3,000 ground staff and 1,000 flight personnel in an attempt to avert the airline's losses. (AP)

British Airways on Monday banned smoking on European flights of 90 minutes or less. (Reuters)

Floods that killed six people in northern Italy abated Monday following four days of rain, leaving bridges collapsed and roads blocked. The Civil Defense Ministry said a state of emergency remained in effect in the Piedmont, Liguria, Lombardy and Aosta regions. The main highway and the railway line between Aosta and Turin remained closed. (AP)

Marine Planes Grounded 2 Days for Safety Check

WASHINGTON — The U.S. Marine Corps on Monday grounded almost all its warplanes and helicopters for 48 hours following a rash of accidents that killed 13 men. Marine F-15 attack jets based in northern Italy that are helping police a United Nations air exclusion zone over Bosnia were not affected.

The Marine commandant, General Carl E. Mundy Jr., ordered the unusual suspension of operations and training flights to examine safety procedures, and he told the chiefs of Marine air commands to report to him on the results by Thursday.

His order followed the crash Wednesday of a British-designed AV-8B Harrier fighter at Camp Lejeune, North Carolina, which injured the pilot. Another of the Harrier jets, which can take off and land vertically and hover like a helicopter, crashed Aug. 10 near Cherry Point, North Carolina, killing the pilot.

Four crashes of Marine helicopters during training in California since Aug. 17, two of them midair collisions, have killed 10 Marines, an army pilot and a civilian.

Swiss Connection: 2 Giant Tunnels Through Alps

By Robert L. Kroon
Special to the Herald Tribune

POLMENGO, Switzerland — President Adolf Ogi pushed the plunger, and the thunder of dynamite rolled through a narrow mountain gorge in the Italian-speaking canton of Ticino.

The detonation last week triggered history's most ambitious onslaught on the Gotthard massif, a 3,350-meter (11,000-foot) traffic obstacle that has long blocked road and rail arteries linking northwestern Europe with Italy. As soon as the smoke had lifted, Swiss drilling crews began work on Project NEAT, for New Alpine Tunnels, a 12-year, \$10 billion enterprise providing for two new tunnel systems through the Alps with an eventual total length of 91 kilometers (56 miles).

At the village of Polmengo, six kilometers of horizontal and vertical shafts will be drilled into the brittle rock to determine the trajectory of a new dual-tube rail tunnel. Linking Amsteg in the Swiss-German canton of Uri with Biasca in Ticino, a distance of 57 kilometers, the virtually curvilinear tunnel will be the longest in the world.

Dubbed the Gotthard Basic Tunnel, it will partly run parallel to the old 15-kilometer Gotthard rail tunnel, which winds its way through the mountain like a spiral staircase. That single-tube passage was built in 1882 and has become a notorious bottleneck in the ever-increasing north-south traffic flow.

Foreseeing an overload of the Gotthard route in the next century, even with the new Basic Tunnel, NEAT planners have projected an additional underground rail link further west, through the Bernese Oberland. Next

spring, work will begin on a new Lötschberg tunnel, on the Basel-Simplon axis, which will be 34 kilometers long.

Mr. Ogi described the two new Alpine passages as the "project of the century" and said the wholly Swiss-financed undertaking was "proof of our commitment to Europe, even though we are not members of the European Community."

The NEAT project is the result of a compromise agreement reached with the EC last year after the Swiss refused transit rights for trucks of more than 28 tons via the Gotthard autobahn and its single-lane, 15-kilometer road tunnel. Instead, Bern suggested piggy-backing heavy truck-trailer combinations and containers on flatbed railcars for Alpine transit.

"It's the best solution for the environment and the drivers' safety," Mr. Ogi said. "Already, 85 percent of the annual 15 million tons of goods transiting the Alps go by rail. Improvements in the existing tunnels will increase transit capacity to 30 million tons next year. When NEAT is completed, after the turn of the century, we can handle 70 million tons a year."

Unfortunately for Mr. Ogi, who doubles as transportation minister, Brussels does not seem impressed.

Since the Swiss electorate voted against association with the Community last December, the EC has been less than accommodating to Europe's odd man out. Recently, the EC Commission, egged on by powerful German and Dutch trucking lobbies, hit the Swiss with renewed road-access and transit demands for trailer combinations of up to 40 tons.

The EC also attached a rider requiring Switzerland to adopt Community rules for free movement of labor "on a

basis of reciprocity." Fearing reprisals for its own road haulers, and especially Swissair, which hopes to benefit from the EC's current deregulation efforts, Bern reluctantly opened its autobahns to a daily contingent of 100 European heavy trucks "carrying perishable goods."

But Switzerland, whose foreign residents already make up 16.8 percent of its total population, refused to change its restrictive immigration laws. Swiss fear of a flood of European job seekers was the main reason why the electorate last year rejected association with the EC.

"The Swiss decided to stay outside Europe, and we respect that decision," the EC commissioner for external relations, Hans van den Broek, said recently. "But in the single market the Swiss cannot have their cake and eat it."

On Monday the EC Commission discussed bilateral relations with Switzerland and recommendations for a policy meeting of Community ministers of transportation in October.

Mr. Ogi said he hoped his European colleagues would "stick to the clear-cut understanding reached in December," which forms the main underpinning of his treaty project.

Mr. Ogi insists that his country's topography and environment rule out "an avalanche of smoke-belching 40-tonners in our narrow valleys." He considers the rail tunnels a generous Swiss contribution to the single market's infrastructure.

"If the EC gives us a cold shoulder," he observed with a hint of anger, "I don't think our people will be willing to put up the \$10 billion for those tunnels. In that case I'll go to Brussels and present them with a NEAT bill."

Catholic Church Seeks Footing in Anti-Mafia Fray

By Steve Coll
Washington Post Service

PALERMO, Italy — Italy's season of turmoil, which has so far encompassed politicians, businessmen, the judiciary and the security services, has arrived at the doorstep of the country's oldest functioning institution, the Roman Catholic Church.

The immediate reason is the assassination this month of a Mafia-fighting priest, the Reverend Giuseppe Puglisi, in an impoverished district of Palermo. As he arrived home on his 56th birthday, Father Puglisi was accosted by gunmen and shot in the back of the head.

His murder has focused attention on a larger issue. As Italy continues to imprison Mafia leaders to a degree unprecedented since World War II, many question what role the Catholic Church is prepared to play in a stepped-up anti-Mafia campaign. For decades, the church was seen as generally passive in its relationship with the mob.

Only once before has the Sicilian Mafia ever killed a priest, Palermo prosecutors say, and in that case magistrates determined that the victim was actually a member of the mob. Father Puglisi's case is different. He was part of a small but growing number of Sicilian priests who are crusading openly against organized crime. His murder has stunned Sicily's largely conservative and religious public.

Signs of the church's predicament are readily visible. At the Palermo courthouse, where bodyguards and witnesses loiter outside the offices of Sicily's besieged anti-Mafia pool of prosecuting magistrates, heads turn as a priest in his cassock is ushered through metal Mafia crusaders. "But I don't exclude that the building itself might be subject to attack. Therefore, I've accepted in the last few days round-the-clock protection."

For decades, aside from a few outbursts from urban pulpits, rural-rooted Catholic parishes were part and parcel of a Sicilian society in which the Mafia controlled both public finance and public comment.

The church's relationship with the Mafia, with some exceptions, "has never been one of strong or intense opposition," said a long-time Palermo organized crime prosecutor, Leonardo Guarnotta.

But this relationship is changing. Last summer, Pope John Paul II traveled to Sicily for the first time and thundered against organized crime. Last week, after Father Puglisi's killing, a Sicilian cardinal used the word "Mafia" in a defiant speech. Father Turitto and others said it was the first time any Catholic official in Sicily had dared to use the word pejoratively in public.

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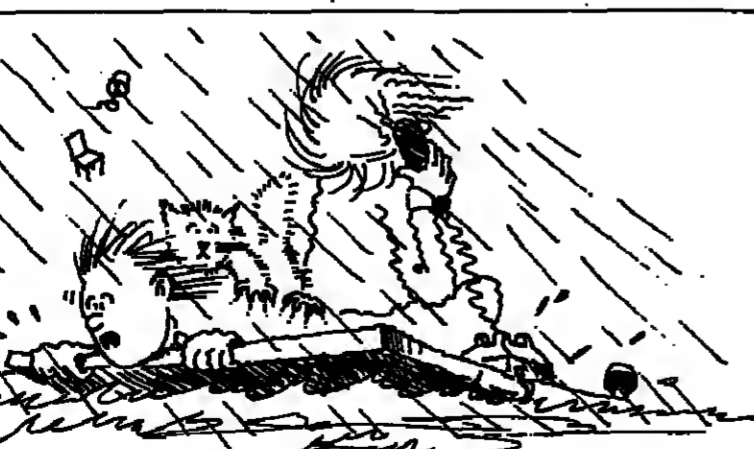
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STATESIDE / PREMIUM PRESSURE

Health Plan Holds a Consumer Safety Net

By Dana Priest
Washington Post Service

WASHINGTON — As part of his health care reform proposal, President Bill Clinton wants Congress to prohibit insurance companies from dropping sick subscribers or selectively raising their premiums during the three years before his plan would be fully put into effect.

Mr. Clinton also wants Congress to set up a government-sponsored insurance plan for consumers who cannot buy private coverage during the transition period.

Both measures reflect the administration's belief that health insurers, faced with declining profits because of impending reform, might price-gouge or drop coverage for sick people who need medical services during the period between the time Congress passes Mr. Clinton's proposal — if it does — and when it is operating fully.

The administration has said it would like the plan to be operating in all states by the end of 1997, although Hillary Rodham Clinton recently suggested that the White House was open to a later date.

"We want to prevent the insurance market from becoming unstable during the interim," said the White House health adviser, Ira C. Magaziner. "We want to prevent them from raising prices in a profiteering manner," or dropping the more expensive policyholders, who usually are the elderly and people with existing medical conditions.

The administration's proposal would immediately limit the amount insurers could charge some individual new subscribers and existing policyholders. It would also prohibit companies from terminating or not renewing health insurance coverage for any insurer person or group, according to a draft of the plan.

The interim measure would mean that insurance companies would not be allowed to drop coverage of small businesses or individuals, for instance, while maintaining coverage for large companies.

"That appears to me totally contradictory to their overall goals of consolidation," said Linda Jenckes, lobbyist for the Health Insurance Association of America, referring to the president's other goal of weeding out inefficient, wasteful health plans.

By requiring companies to renew all policies and restricting their rate adjustments, "you really could run the risk of making a company insolvent" if health costs go up, she said.

If the proposals are enacted, people who lose their health insurance during the transition period, for whatever reason, or are unable to buy insurance because they have a pre-existing health condition, would be able to buy coverage through the Department of Health and Human Services.

The department's plan would be financed by the premiums it charged consumers. But if the premiums were insufficient, the government would force all insurance companies and large companies that operate their own health plans to contribute as well, according to the draft.

Several states have state-run plans to insure people who have been turned away or charged high rates by private insurance companies because they have medical conditions that required expensive treatment. In general, these "state risk pools," as they are called, have not kept up with the demand for coverage.

agent relayed information that the cult leader, David Koresh, and his aides had been warned that authorities were coming to the compound. (AP)

U.S. Senator Indicted in Texas

AUSTIN, Texas — A U.S. senator and two former aides were indicted Monday on charges of misconduct during her 2½-year tenure as state treasurer.

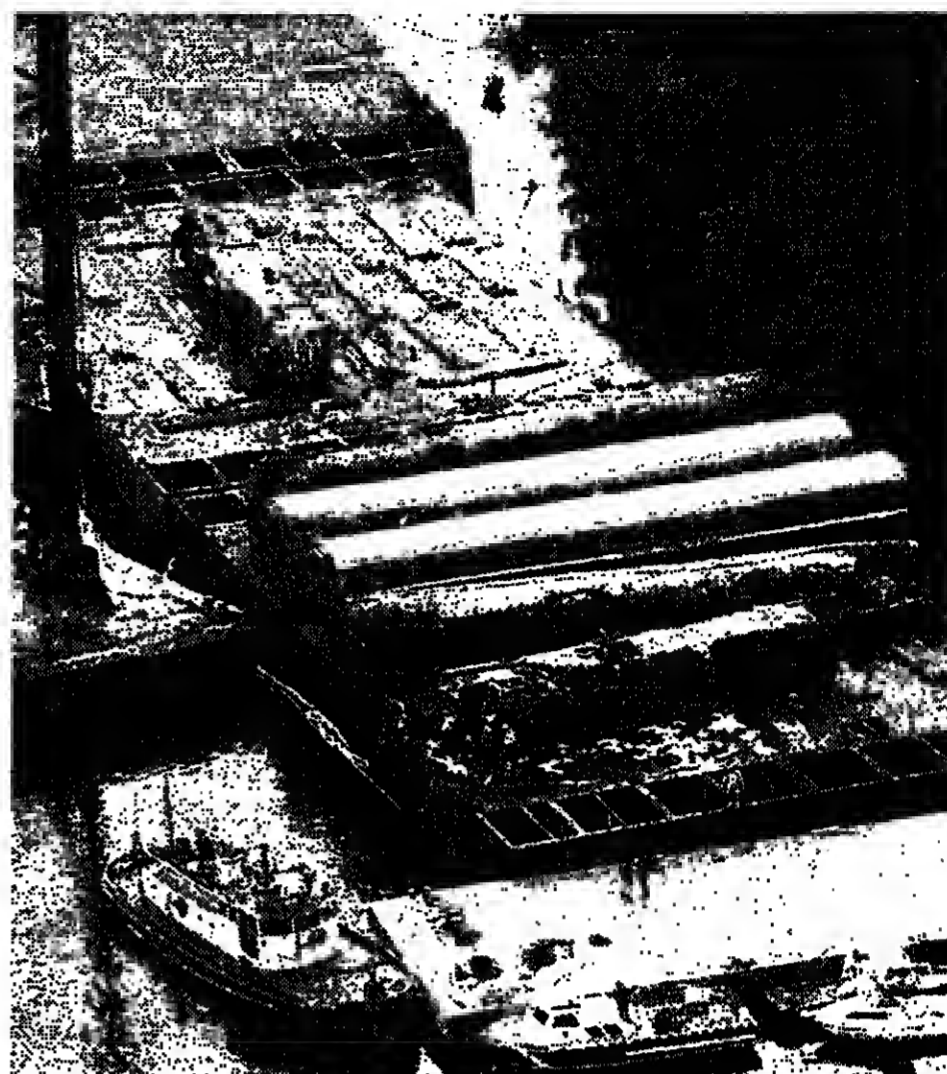
The senator, Kay Bailey Hutchison, a Republican, was accused of felony charges of official misconduct and tampering with governmental records and evidence.

Mrs. Hutchison won a special election on June 5 to succeed Lloyd Bentsen after he became U.S. Treasury secretary. She has denied wrongdoing and accused District Attorney Ronnie Earle, a Democrat, of a political witch-hunt. (AP)

Quota/Unquota

President Bill Clinton, in his maiden address to the United Nations: "My government intends to remain engaged and lead. We cannot solve every problem but we intend to serve as a fulcrum for change and a pivot point for peace." (AP)

Away From Politics



Amtrak cars and engines retrieved after last week's wreck awaiting transport to New Orleans.

● A second recording device recovered from the Sunset Limited's third engine, one of the last cars pulled from the bayou waters where 47 Amtrak passengers and crew died, has been turned over to investigators. That engine and a baggage car from the California-to-Florida train were hauled Sunday from the Bayou Canal, the site of the worst wreck in Amtrak's 23-year history.

● The replacement camera for the flawed Hubble space telescope is ready to be launched in December, space agency officials said. A NASA official, John Campbell, said earlier indications that the camera would have to be re-focused were erroneous because of problems with testing equipment.

● Millions of Americans drink, shower and cook in unsafe tap water, according to a report released Monday. The study by the Natural Resources Defense Council found that from 1991 to 1992, 120 million people were affected by over 250,000 violations of the Safe Drinking Water Act.

● A federal judge in Los Angeles ruled Monday that two policemen convicted in the Rodney G. King beating could stay out of prison until Oct. 12 while they seek bail in conjunction with moves toward appealing their cases. The decision came shortly before the deadline for Stacy C. Koon and Laurence M. Powell to begin their 30-month sentences.

● The National Guard helped evacuate dozens of residents in northeastern Oklahoma on Monday as rain-swollen rivers rolled out of their banks to record levels.

POLITICAL NOTES

Aide Retires in Waco Aftermath

WASHINGTON — Stephen E. Higgins, whose Bureau of Alcohol, Tobacco and Firearms conducted the raid on the Branch Davidian cultists near Waco, Texas, earlier this year, announced his retirement Monday.

The announcement by Mr. Higgins, 55, a career employee who had served as director of the Treasury Department agency for 11 years, came just days before a department report was to be issued on the handling of the Feb. 28 raid, in which four agents were killed and 16 wounded. At the same time, about a half-dozen cult members were slain.

In a letter to Treasury Secretary Lloyd Bentsen, Mr. Higgins said: "Since I do not agree with all the conclusions reached and actions proposed pursuant to the Waco incident, and since you apparently support the merger of ATF into the FBI as proposed by the reinvention team, I only have two real choices as a career executive where I find myself in serious disagreement with both decisions. I can either ask to be reassigned to another position, or retire. This is to advise you that I have decided to retire effective Oct. 30, 1993."

Court documents indicate that the bureau proceeded with the raid even after an undercover

agent relayed information that the cult leader, David Koresh, and his aides had been warned that authorities were coming to the compound. (AP)

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The senator, Kay Bailey Hutchison, a Republican, was accused of felony charges of official misconduct and tampering with governmental records and evidence.

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A Dawn for Women Refugees

Asylum Pleas Based on Sexual Persecution Are Growing

By Deborah Sontag
New York Times Service

BOSTON — One September night, the night of the 1992 military coup against President Jean-Bertrand Aristide, a tall, slender young woman limped through the streets of Port-au-Prince, Haiti, in a tattered nightgown. Then 16 years old, W. Louis had just been beaten and gang-raped in retaliation for her male cousin's pro-Aristide activities.

W. Louis and her cousin fled the country six weeks later by boat, spent five months at the U.S. Naval Base in Guantanamo, Cuba, and were admitted to the United States to apply for political asylum. As a rape victim, she agreed to speak only if she was identified by her last name.

Her cousin, a student leader threatened with death, is typical of the thousands of men who seek asylum each year. But W. Louis, as a woman and a rape victim, is presenting a type of claim that until recently was seldom heard. Now 18 and a high school student in Boston, she is one of a growing number of women seeking asylum on the ground that they suffered different forms of political persecution because of their sex.

Immigration law has tended to ignore the plight of refugee women. Lawyers and immigration officers often follow their standard line of questioning, and the personal stories of the women over come out. Many judges and immigration officers treat rape and battery, even at the hands of government officials, as private acts. And many interpret a woman's transgression of social mores, the refusal of an Iranian woman to cover her head, for instance, as wardrobe choices rather than political expression.

But change is now afoot. Even though many countries have grown less tolerant of refugees in general, international sympathy has grown for the traumas of women fleeing persecution. The rapes of Muslim and Croat women in Bosnia have been portrayed worldwide as war crimes, not just sexual violence.

The United Nations High Commissioner for Refugees has issued guidelines for evaluating women's applications for asylum, and the Canadian Immigration and Refugee Board has started granting asylum to women persecuted because of their sex.

In the United States, advocates for immigrants are using scores of test cases, involving rape, domestic violence and defiance of state restrictions on women's activities, to try to expand the grounds for granting asylum.

The Immigration and Naturalization Service also is studying Canada's new policy to see if it will revamp its own handling of such cases, said Gregg A. Beyer, director of asylum. Although some critics of the asylum system worry about opening the door to yet another category of applicants, Mr. Beyer said that there would be no blanket admissions policies.

"There's always a fear that anything, even a new nationality or a new category like women or gay people, will open up the floodgates," he said. "There's a perception that if a woman from a Muslim country got asylum, many might come thinking they're now all eligible. But they wouldn't be. It's case by case, individual by individual."

The test cases brought by immigrant advocates vary from that of a Honduran woman in New York City whom Honduran police refused to protect from her severely abusive husband to that of an Iranian feminist in Boston, an artist

who was forced underground in the early 1980s for painting women in nontraditional roles.

"It was a very hard period of my life," said the Iranian artist, who is now an art teacher at a day-care center. "First, the authorities insisted that we must cover our heads and bodies to protect us from men, as if we were living in a jungle and the tigers were always ready to pounce. And then all my friends were executed."

The women's experiences in the countries vary, too. In San Francisco, a Salvadoran woman whose husband was an informer for the army asked for refuge in the United States because she had been repeatedly gang-raped by guerrillas. During three hours of halting testimony, as she kept her face covered with her hands, the immigration judge clipped his fingernails, said Jonathan Mervod, an immigration lawyer who represented her. But in the end, her testimony was so compelling the judge granted her asylum.

Sofia Campos-Guardado, another Salvadoran, was not as lucky. Miss Campos-Guardado, whose male relatives were active in an agricultural cooperative, had been bound, gagged and forced to watch as guerrillas hacked the flesh from her cousins' bodies and shot them to death, according to court documents. Then she was raped while her attackers shouted political slogans, and repeatedly threatened her if she did not keep silent.

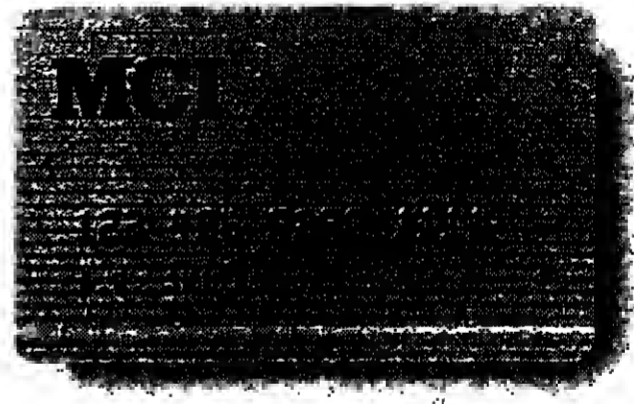
The U.S. Court of Appeals for the Fifth Circuit, based in New Orleans, found that there was no evidence that Miss Campos-Guardado was raped because of her political opinions and decided that her rapists' threats were entirely personal.

By law, political asylum is granted to an individual with a well-founded fear of persecution because of one of five grounds: race, religion, nationality, membership in a particular social group or holding a political opinion.

Many lawyers are pushing for a more radical approach by adding persecution because of sex as a sixth ground for asylum.

It is believed that only a fraction of political asylum cases involve women. Immigration officials do not keep such statistics.

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Russia's Reformers Move Fast

Yeltsin Camp Revels in Opponents' Collapse

By Fred Hiatt
Washington Post Service

MOSCOW — Russia's economic reformers are moving aggressively to take advantage of the collapse of the conservative parliament with a wide array of liberalizing measures that would have been impossible only last week, officials and Western advisers said Monday.

While most of the world focuses on Russia's continuing political crisis, President Boris N. Yeltsin's economic team is pushing to dismantle roadblocks to reform in agriculture, foreign trade, energy, real estate, securities and other fields.

"We have a big window of opportunity between now and the convocation of the next parliament," said a policy-maker in the government who asked not to be named.

Mr. Yeltsin and his economic policymakers are not waiting for the standoff to end to seize their chance. The confluence of parliament's dissolution, the government's gaining control over the Central Bank and an unusual oneness of purpose within Mr. Yeltsin's cabinet have given reformers new hope after a summer of drift and growing inflation.

Already in the week since he dissolved parliament, Mr. Yeltsin has issued decrees reducing subsidies to agricultural monopolies and, on Monday, protecting and attracting foreign investment. More decrees can be expected within a week, one official said.

Liberals in the government hope the structural reforms will persuade Western lenders to continue supporting Mr. Yeltsin's government despite the political instability. But their larger goal is to use their unexpected freedom of movement to

make lasting changes that would show voters that reforms need not only be painful.

Officials acknowledged that the current crisis will complicate economic reform in some ways. Many roadblocks to change are legal and will be difficult to remove without a legislature. Other changes are opposed by bureaucracies and lobbies that are no less powerful today than before Mr. Yeltsin's decree.

Moreover, Yeltsin supporters will be urging him to increase subsidies and other goodies to all kinds of constituencies in the run-up to an election. With the economy on the verge of hyperinflation, such vote-buying could have disastrous consequences.

As a result, many reformers and advisers say Mr. Yeltsin must maintain strict budget control, cutting subsidies to unprofitable state-owned enterprises. In the short term, such a policy could even be popular, they argue, as inflation would drop before unemployment would leave enough funds in the kitty for some well-targeted pork-barrel spending near the election.

Still, faced with such narrow room of maneuver in the big picture, economic reformers are arguing that Mr. Yeltsin should adopt a range of measures that would promote competition, ease start-up barriers for small businesses and bring other benefits without simply handing out cash or credit.

"I would insist on adopting popular, not populist, measures," one senior official said. "The society is mature enough already to understand that just giving away money is not a way out." He added, "We need measures that will create competition and market conditions."

to a cows conference immediately after Mr. Yeltsin's decree last week, where most questions focused on the political clash, First Deputy Prime Minister Yegor T. Gaidar made clear that he was already thinking about how to make the most of the opportunity for reform. The first goal, he said, would be to prevent hyperinflation by minimizing the budget deficit.

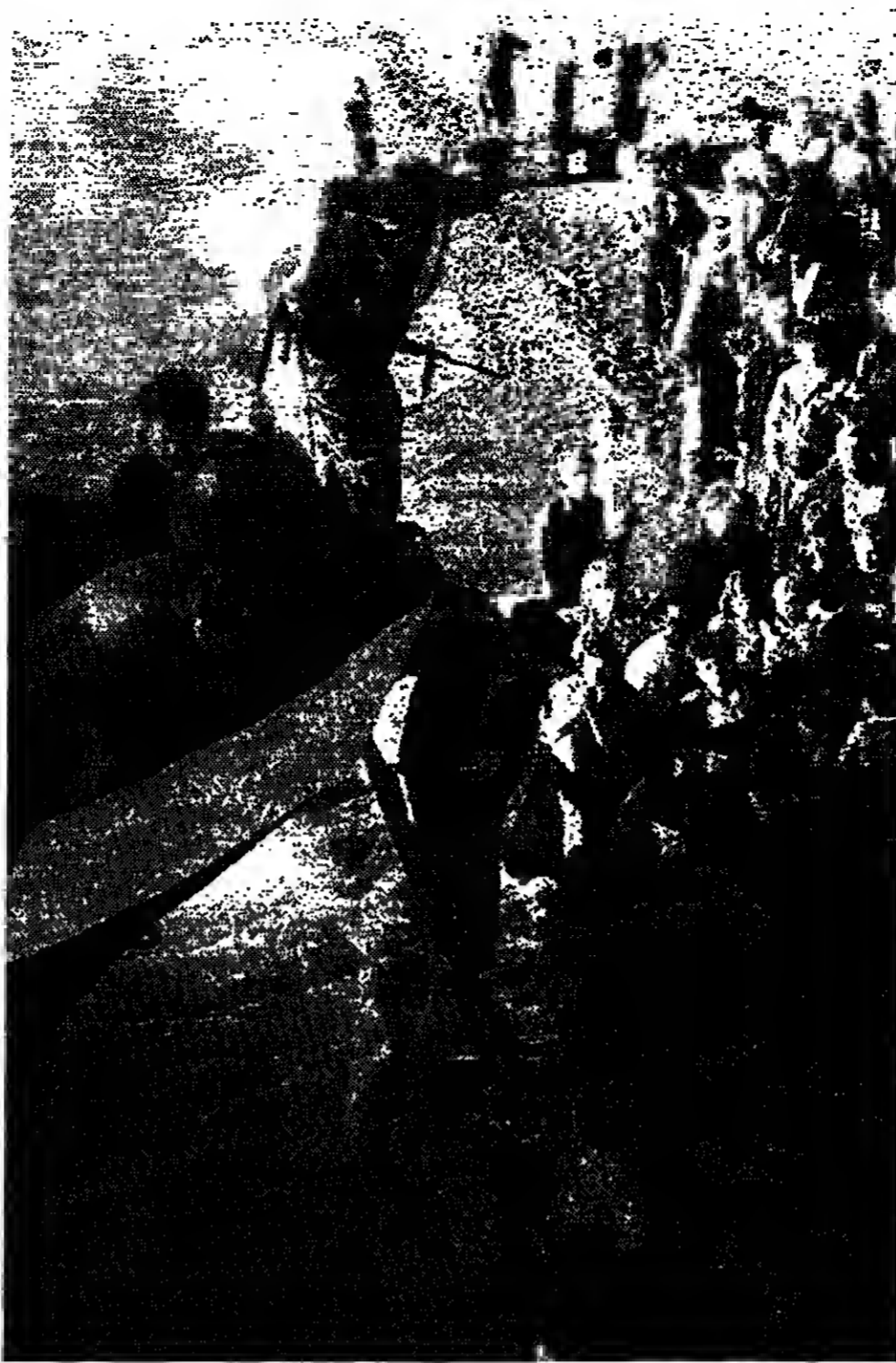
But Mr. Gaidar, who is an architect of the government's economic policy, also said the government should move quickly to liberalize the economy in many spheres. Although prices were freed 20 months ago and many companies have been privatized, at least in name, much of Russia's economy remains as much under bureaucratic control as in Soviet times.

State-owned monopolies still largely control grain, oil, gas and other resources. Many products cannot be exported without licenses, which often can be obtained only with bribes. Complicated licensing procedures stymie construction and frustrate new would-be entrepreneurs.

Thus, officials are preparing decrees to reduce the number of "strategic" goods whose export is controlled, reduce the number of goods imported through central and enforcing signed contracts, are strictly protected at best under Russia's inherited legal code.

Many will not be protected until a new parliament is elected and takes action. "It makes no sense to adopt presidential decrees on fundamental and long-term legal issues in the present political situation," Mr. Gaidar acknowledged. "What you adopt today can well be canceled tomorrow."

But he said excessive regulation and executive instructions within Mr. Yeltsin's domain often are responsible for "abuses of ownership rights." Russia's privatization agency also is preparing decrees by which Mr. Yeltsin could help guarantee shareholders' rights, a key issue for making privatized firms function more efficiently, one knowledgeable official said.



Georgians fleeing Sukhumi climbing aboard a boat; the besieged city fell shortly to Abkhazian rebels.

RUSSIA: Yeltsin Rules Out Deal

Continued from Page 1

pealed on Monday to the armed forces to revolt and remove Mr. Yeltsin. But their support continued to dwindle as the military stood firmly behind the president.

A leading supporter of the parliament, Viktor P. Baranikov, denied reports that he was preparing to defect to Mr. Yeltsin. Mr. Viktor Baranikov was named security minister by the parliament last week.

Fitterly lawmakers asserted early Monday that Mr. Yeltsin had ordered riot police to storm the parliament building, and they alerted their small volunteer defense force. There was no attack, however. The panic reportedly was set off by a truck backing.

Guards used chairs and tables to set up barricades in the corridors after the rumors of an imminent attack swept the building. Such rumors have repeatedly gripped the parliament. Mr. Yeltsin said he will not use force to end the protest.

Lawmakers asserted that they had received telegrams of support from some army and navy units, but there was no sign of any military backing. The mood in the building, called the White House, was increasingly despondent as about 100 lawmakers deliberated what to do next.

The chairman of the parliament, Ruslan I. Khasbulatov, asserted Monday that he would defend it to "the last bullet." Some lawmakers and aides said privately, though, that the parliament's leaders did not know what to do and were increasingly desperate.

Mr. Gaidar said the government also was preparing measures to improve the legal climate for private enterprise. Many basic activities, such as buying and selling land or enforcing signed contracts, are strictly protected at best under Russia's inherited legal code.

However, diplomats said it was unlikely that the United States would press the Russians hard on the matter at a time of intense political instability in Moscow.

In Moscow, President Boris N.

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GEORGIA: Sukhumi Falls, Shevardnadze in Hiding

Continued from Page 1

attacked Sept. 16, breaking the truce, they had a considerable advantage in firepower.

"I think the Russians have a lot to answer for," said a diplomat in the region. He added that President Bill Clinton and Secretary of State Warren M. Christopher had taken a personal interest in the Georgian situation in recent days.

However, diplomats said it was unlikely that the United States would press the Russians hard on the matter at a time of intense political instability in Moscow.

In Moscow, President Boris N.

Yeltsin ordered the Russian military to render "maximum assistance" to evacuate Mr. Shevardnadze, but so far Mr. Shevardnadze has refused to leave the area.

Diplomats in the Georgian capital, Tbilisi, said they feared there would be a bloodbath now that the Abkhazians have taken Sukhumi. There have been scattered reports in recent days of massacres in villages near Sukhumi where fierce battles have raged, but none has been confirmed.

Although Sukhumi once had a population of about 150,000, fewer than 30,000 civilians are believed to remain there. Reports from the city

in recent days say that much of the center has been shattered by artillery and rockets, and that dozens of buildings have been consumed by flames.

In his statement Monday, Mr. Shevardnadze also said he had sent a telegram to Moscow offering to join the Russian-led Commonwealth of Independent States, reversing his previous opposition to Georgian membership.

He added: "God knows that I did all I could so that this terrible day would never come. I was unsuccessful. May I be forgiven by my contemporaries and those who come after me."

CLINTON: President, Addressing UN, Urges Expanded Nuclear Nonproliferation Pact

Continued from Page 1

sin Project on Nuclear Arms Control. "The problem is that India and Pakistan are making this material outside of international inspection and probably will continue to do so."

The United States last year halted the production of fissile materials and has offered to open to international inspection some material that it has declared as surplus.

A White House official said Monday it hoped that other nations would follow the U.S. example. But the official acknowledged that "we are particularly worried at the moment about South Asia,

where we have two countries that have embarked on unflagged programs." The reference presumably was to India and Pakistan.

Nuclear-club members such as the United States and Russia can afford to stop production because the nuclear material is dismantled weapons retains its potency for thousands of years. Mr. Milibollin said.

Iran, Iraq, Libya and North Korea, he said, all claim that the only plutonium and enriched uranium they possess is already under inspection.

Mr. Milibollin said that North Korea and Iran "top the list" of

troubling situations, adding: "This policy does not affect either of them."

Japan, one of the biggest producers of plutonium in its reprocessing facilities, will not be affected by the policy either, he said, adding that the threat of a plutonium shipment being hijacked by terrorists is among the concerns of nonproliferation experts.

In Mr. Milibollin's view, Mr. Clinton made the proposal for a production ban because he had to show some results after a government-wide review aimed at devising a strategy to curb the spread of nuclear weapons. That review, he

contended, "didn't come up with anything."

The president's comments on UN peacekeeping come at a sensitive time for the United States. The recent deaths of American soldiers operating under UN auspices in Somalia has raised new questions in Congress about the U.S. role there. In addition, the president faces a decision soon on how to supply thousands of soldiers to a North Atlantic Treaty Organization force that would enforce a peace agreement in Bosnia.

The president said the United Nations should assess peacekeep-

ing proposals carefully to determine if there is a genuine threat to international peace, what the objectives would be, at what point the peacekeepers would be removed and what the cost would be.

At the same time, he urged the body to create a modern command center for its troop operations and promised to soon pay the \$400 million Washington owes for underwriting the far-flung UN peacekeeping efforts.

A condition, however, is that the UN reduce the peacekeeping quota for Washington to 25 percent, from 30 percent, to reflect its diminished economic power in relation to other nations, Mr. Clinton said.

In viewing global trends, the president noted "serious threats" to the planet, citing conflicts in Angola, the Caucasus region and Kashmir; hunger and disease among children; environmental degradation; "repression of conscience," and terrorism.

He specifically mentioned the "mass murders who bombed Pan Am Flight 103" over Scotland when he vowed "to see that such terrorists are brought to justice."

Friday is the deadline set for Libya to turn over two men viewed by Washington as responsible for the Pan Am bombing. Unless it does so, additional Western sanctions against Tripoli are likely.

KOREA: North Cancels Participation in Vienna Nuclear Inspection Talks

Continued from Page 1

Gun, objected to the issue's being raised in the conference plenary and said an agreement to discuss inspections here next week was off.

"The agency secretariat must bear its due responsibility for the grave consequences it has brought about," he wrote in a letter to Mr. Blix. He said that those consequences would "make it impossible" for the next round of consultations between North Korea and the energy agency to take place as planned in Vienna.

The agency had greeted North Korea's decision to attend the Vienna meeting as a breakthrough.

In March, North Korea an-

nounced it would withdraw from the Nuclear Nonproliferation Treaty rather than submit to inspections. That decision was later suspended under heavy pressure from the United States, South Korea and their allies. (Reuters, AP)

A Fresh Crisis Is Feared

David E. Sanger of The New York Times reported from Tokyo: Six months after Washington broke decades of Cold War silence with North Korea and opened talks, American, Japanese and South Korean officials say there is no evidence that the reclusive government is backing away from its own weapons project or that it will allow international inspectors

into its most secretive installations.

No one knows if Pyongyang has been able to use the time to further its bomb development, or whether such efforts have slowed under international pressure and a lack of technology. U.S. negotiators insist that the talks have not been a failure, largely because they dissuaded North Korea from pulling out of the Nuclear Nonproliferation Treaty.

But in the last week, Asian leaders have suggested that the situation is once again veering toward confrontation.

President Kim Young Sam of South Korea has told a Japanese newspaper that he now believes that North Korea has enough material to make three bombs.

"If the nuclear dispute remains unsettled, international sanctions against North Korea will be unavoidable," Mr. Kim said.

Prime Minister Morihiro Ho-

sokawa of Japan has called North Korea's development of a missile that could hit virtually anywhere in the Japanese archipelago "a threat to our country."

A third round of talks between North Korea and the United States, which was supposed to have taken place this month, was indefinitely suspended a week ago after U.S. officials said North Korea had made no progress on steps agreed upon in July. Among them was the renewal of discussions with South Korea on beginning mutual inspections of each other's nuclear sites, a step that was accepted in principle more than two years ago.

The Clinton administration seems likely to face a particularly vexing question in the next several weeks, namely whether to continue negotiations or to resume the movement in the United Nations toward economic sanctions against North Korea.

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New York Post Struck By Newspaper Guild

The Associated Press

NEW YORK — Newspaper Guild members went on strike Monday at the New York Post, saying Rupert Murdoch's efforts to save the paper threatened their jobs.

The Guild, which represents editorial, clerical and advertising workers, is the only union at the Post that has not settled on a contract.

PANIC: Collaborators' Fears Grow

Continued from Page 1

drawn from desert camps in Libya and Yemen, and others trained in Jordan and Egypt.

Israeli troops and security forces, who have controlled virtually every aspect of Palestinians' lives for 26 years, are supposed to withdraw gradually from population centers, protecting only Israeli Jewish settlements, military bases and Israelis on the roads.

More is at stake than just who will issue traffic tickets, Israel has a wide-ranging intelligence network in the territories. At the peak of the intifada, as the Arab uprising against Israeli occupation is known, the Israelis are said to have maintained about 18,000 informers. Precise numbers are not known, however.

Israel may hope to continue its intelligence-gathering in the territories to help guard against future violence. But the Palestinians may look with suspicion on Israeli informers in their midst.

The two sides also may need to work together to keep track of Hamas, the militant Islamic movement that has vowed to upset the accord.

There has to be intelligence cooperation between Israel and the PLO with regard to Hamas," said Joseph Alpher, director of the Jaffee Center for Strategic Studies at Tel Aviv University.

There are other sensitive security issues as well, such as the future of the undercover Israeli military units that have stalked violent gangs, often with the help of informants, and the future of Palestinian prisoners still in Israeli jails.

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In Indonesia, Signs Of a New Openness Authorities Loosen the Reins On Dissidents and Journalists

By Michael Richardson
International Herald Tribune

JAKARTA — After being ostracized for years by government and military leaders, A.H. Nasution, a retired general who is one of the country's leading dissidents, left recently for medical treatment in the United States — with all expenses paid by the Indonesian state.

In 1980, Mr. Nasution, a former armed forces commander and defense minister, helped found the Movement of the Petition of 50, a group of retired senior officers, cabinet ministers and religious leaders that publicly accused the military-backed government of President Suharto of abusing power and failing to democratize.

To reprisal, members of the group were prohibited from leaving Indonesia and put under official surveillance. Indonesian news organizations were instructed not to report any of their critical statements.

The other day, in the latest sign of a new openness in the world's fourth most-populous country, General Syarwan Hamid, the chief armed forces spokesman, said no more travel bans would be imposed on individuals for political reasons.

Earlier, in another apparent gesture of reconciliation, Mr. Suharto, also a retired general, held two informal meetings with Mr. Nasution while a close associate, Jusuf Habibie, the minister of research and technology, took several other members of the Petition of 50 group on a well-publicized industrial tour.

In recent months, the Indonesian media have become much bolder in discussing politically sensitive issues, such as the rapidly expanding business empire controlled by Mr. Suharto's sons, daughters and other relatives.

The Indonesian parliament has also become more assertive in questioning ministers about government policies and in seeking greater financial autonomy from the executive.

Political analysts said there would probably be another significant development next month when Golkar, the de facto governing party established by the military in 1964 to counter communism and maintain stability, holds its congress.

With Mr. Suharto's backing, the congress is expected to elect Harmoko, the information minister, as

Golkar chairman. He would be the first civilian to lead the group.

Some critics contend that the army is out of step with the demand for change in Indonesia and should withdraw from day-to-day involvement in politics and politically related issues, such as intervention in labor and land disputes on the side of employers and developers and against the poor, on the pretext of maintaining order.

Mr. Suharto, who is 72, has been in power since 1966. He was appointed in March to another five-year term as president by an electoral body dominated by his nominees.

Few Indonesian analysts suggest that the president is losing his grip. Indeed, many believe that he may seek reappointment in 1988, provided he remains in good health.

Nonetheless, sustained economic growth, the spread of education, rapid expansion of the private sector and the rising influence of an urban middle class are creating a more assertive civilian component in Indonesian society.

"Indonesians are better informed, they are traveling more and beginning to demand more from a political system that has been ossified," said a Western diplomat.

Mr. Suharto appears to acknowledge the need for change. He said last month that frictions, conflicts or even controversies in "our growing, dynamic society" were unavoidable.

The job of the government is not to dampen them, he added, but to develop procedures for creating consensus and solving problems in a peaceful and fair way.

Otherwise, he warned, Indonesia will face chaos and disaster "caused by a tyranny of the minority or a dictatorship of the majority."

Many analysts link the wooing of prominent dissenters and the loosening of controls over the media and parliament to maneuvering between the president and military power brokers, with each side seeking to make new allies.

"It's all a facade," said an Indonesian editor. "It's not institutional openness; it's vested interest openness."

Despite some easing, the government has in the past few months prevented an independent union congress from taking place and has vetoed elections for the leadership of the Indonesian Democratic Party, the closest thing the country has to a political opposition.

In June, the Indonesian Supreme Court rejected a challenge to a ministerial decree that gives the government authority to close down newspapers.

Nor is there any indication that Mr. Suharto is contemplating any fundamental reforms, such as ending the ban on student political activities on campus or opening up the party system.

However, Adnan Buyong Nasution, a leading human rights lawyer, said that Mr. Suharto evidently realized that "he must broaden his political support and open dialogues with people who have been very critical."

"Whatever his motivation and however small the loopholes," he said, "we should make use of this to strengthen the democratic movement in Indonesia."

U.S. Senate Drops Ban On Jakarta Arms Sales

The Associated Press

JAKARTA — The Indonesian government expressed relief Monday over the dropping of a proposed U.S. Senate amendment to ban arms sales to Indonesia because of its human rights record in East Timor.

The proposal called for the ban unless Indonesia allowed international human rights groups unrestricted access to the Portuguese colony, which Indonesia annexed in 1976. Indonesia came under sharp criticism in the West after its troops killed dozens of pro-independence demonstrators in East Timor in November 1991.

Nina Berberova, Lecturer And Writer, Is Dead at 92

Reuters

PARIS — Nina Berberova, 92, a Russian-born writer and lecturer who left her country in 1922 because "they were starting to shoot poets," died in Philadelphia on Sunday, her French publisher said.

Born a well-to-do St. Petersburg family, Miss Berberova toured Europe before settling in France and then moving to the United States in 1950, where she lectured at Yale and Princeton.

Lauded for her interpretations and teaching, she was given honorary doctorates at both universities. It was only in 1985 that the world discovered Miss Berberova as a writer after a French publisher.

Hubert Nyssen, of the Actes Sud publishing house, began to print her many works.

Among them are "The Accompanist," "The Revolt," "The Tattered Cloak," biographies of such figures as Tchaikovsky and Alexander Borodin, and her autobiography "The Italics Are Mine."

Brian Garraway, chairman of the regulatory board at the Lloyd's of London insurance market, died Friday, Mr. Garraway, who recently suffered a mild heart attack, apparently died in his sleep, Lloyd's said Monday. He was born in 1931, according to a Lloyd's spokesman, who did not know Mr. Garraway's precise age.



TAIWAN CAVE-IN — Two people were hurt and dozens of cars wrecked when a building collapsed, caving in a road near Taipei.

China and Britain Far Apart on Colony

BEIJING — China and Britain remain far apart on the contentious issue of political change for Hong Kong, the British ambassador to Beijing said Monday at the end of the 12th round of talks on the issue.

"I don't think I want to characterize the round with adjectives, but I think it is no secret to say that we have not made as much progress as we would have wished," said Sir Robin McLaren, who heads the British side in the negotiations.

"There is still a substantial gap," he said.

The talks, aimed at finding consensus on proposed changes to Hong Kong's electoral system before the British colony returns to Chinese rule in 1997, have dragged on since April with no public sign of progress.

The two-day session that ended Monday was the last before Foreign Secretary Douglas Hurd and his Chinese counterpart, Qiao Qichen, meet in New York this week.

breakthrough, although he said it would be extremely useful.

"I don't think the two foreign ministers will be regarding this as a negotiating session," he said. "Their meeting will take place in the context of the General Assembly in New York and they will have a limited amount of time available."

"But I am sure they will want to review the state of the talks and consider between them how best to go forward."

Sir Robin and his Chinese counterpart, Deputy Foreign Minister Jiang Enzhu, will hold their 13th round of talks on Oct. 11 and 12, after a major speech by Hong Kong's governor, Chris Patten.

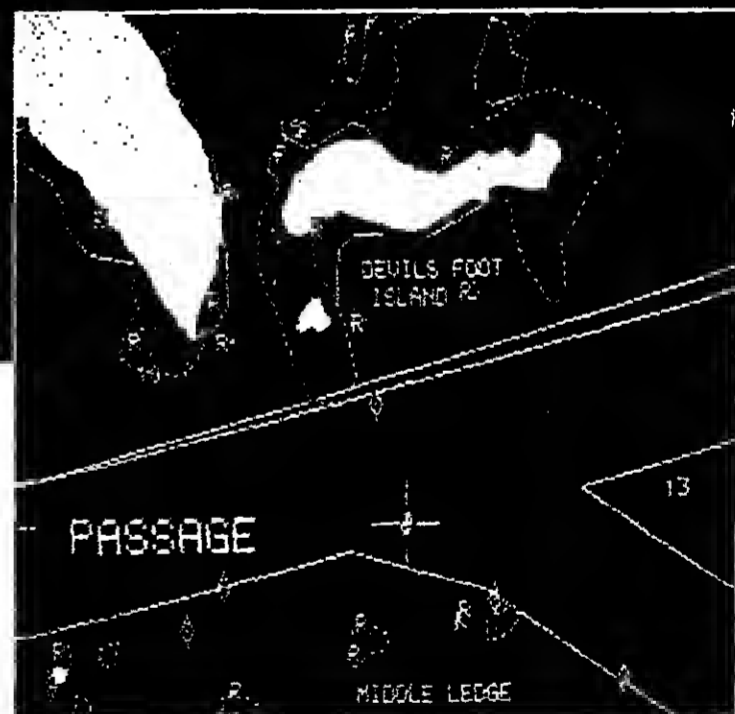
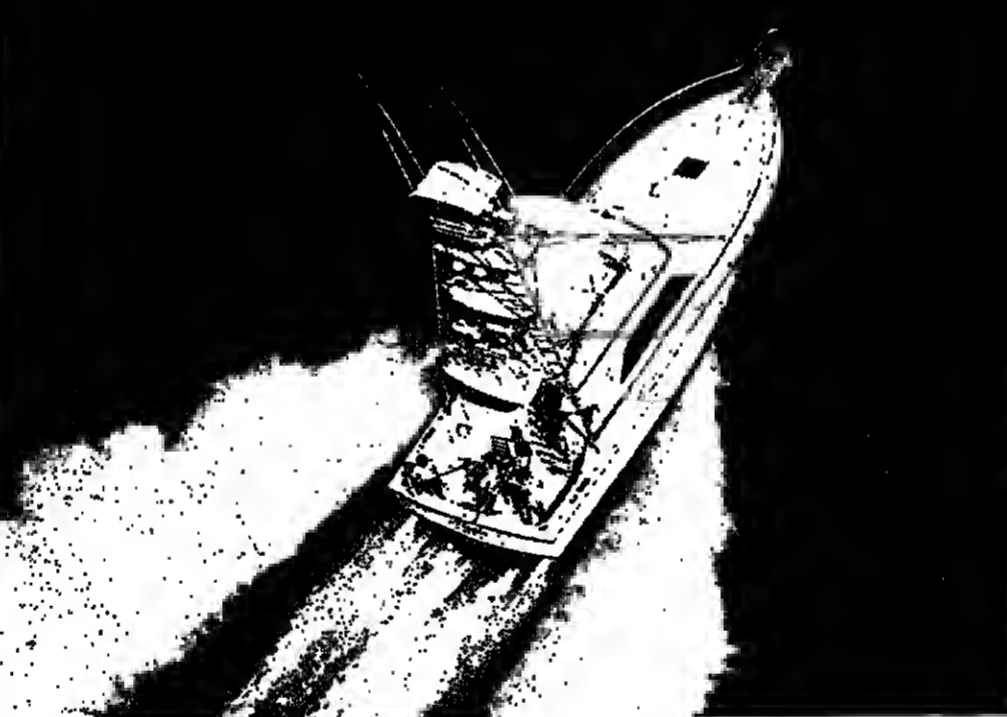
Mr. Patten set off the row between the two countries in his October state-of-the-territory speech last year when he proposed reforms that would allow Hong Kong people to vote for the majority of their legislators for the first time.

China blasted his proposal as a violation of previous agreements and understandings between London and Beijing.

Britain rejects that interpretation.

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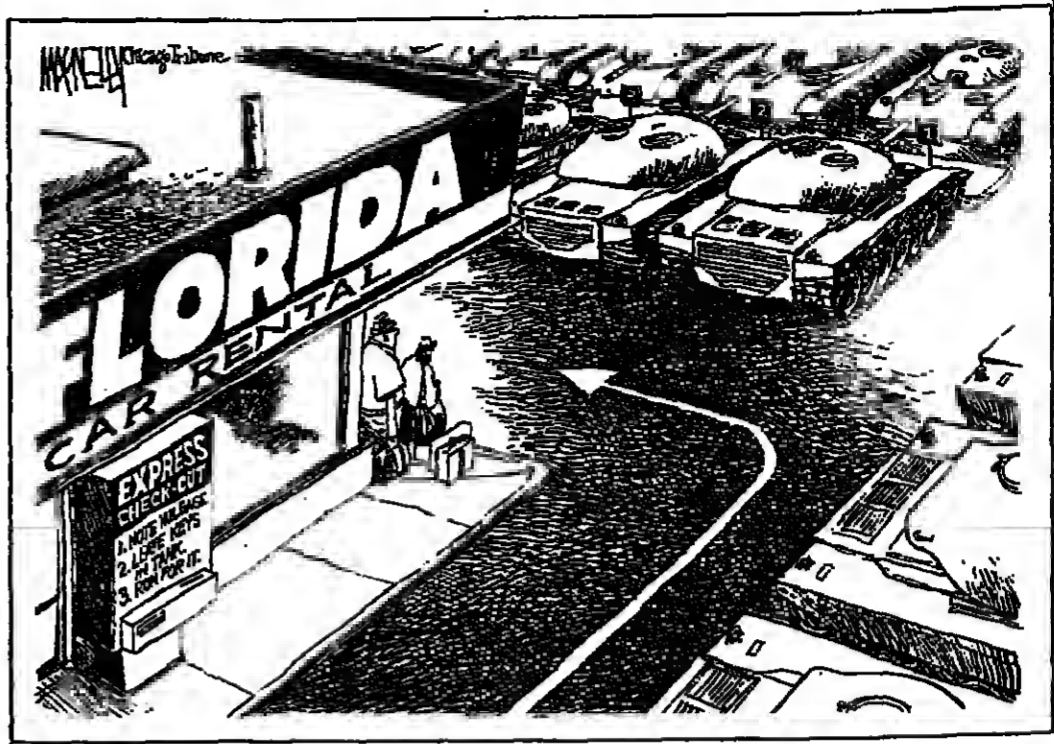
OPINION

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

A Vital Assignment For the UN Sultan

By Jim Hoagland



North Korea in the Dock

The clock ticks inexorably on, but is the world listening? It is two years since suspicion dawned that the North Koreans were probably trying to build The Bomb.

chemicals to Iran, would simply wave the inspectors in, and get ready to laugh. So are they waiting time in order to hide the evidence? That would be hard — nuclear waste is bulky stuff, and tends to leave traces behind — but nobody who has watched Saddam Hussein's bravura demonstration of evidence-hiding would be ready to swear it was impossible.

If the North Koreans are serious about still being part of the nonproliferation club, the rules say they have to let inspectors from the International Atomic Energy Agency go into their country and find out the truth. In Vienna this Monday, Director-General Hans Blix told the IAEA's annual conference that obstruction appeared to be hardening. The agency's inspectors are ready, but North Korea would win an Olympic gold for foot-dragging.

It is possible that the original accusation was wrong, and that North Korea has clean hands? No. The scientific evidence shows, beyond serious doubt, that it has produced more plutonium than it had admitted. And if they really were innocent, the North Koreans, remembering America's recent fiasco with the Chinese ship wrongly accused of taking illegal

WASHINGTON — When an American named Ion Perdicaris was kidnapped by the Berber chieftain Raisuli in Morocco, Theodore Roosevelt dispatched this message: Perdicaris alive or Raisuli dead. The American was released.

What began 10 months ago as a benign effort by 28,000 American soldiers to feed starving children has mushroomed into a small war between General Aidid and United Nations peacekeepers, who rely on American firepower for their offensive capability.

It is impossible to imagine Bill Clinton being either that terse or that categorical. Nor could he afford to be. Today, Raisuli might lob a chemical warhead at a rescue party. He would certainly have in his arsenal recoilless rifles and rocket-propelled grenades powerful enough to stop U.S. tanks and helicopters, as Somalia's Mohammed Farah Aidid does.

Each new atrocity makes it harder for the Clinton administration to extricate the remaining 5,000 U.S. soldiers from Somalia as promised, even as the new deaths create public pressure on President Clinton to withdraw. As U.S. casualties mount, Pentagon and other officials grimly say that America cannot cut and run and leave General Aidid unpunished.

Clinton administration strategists underestimated how much things have changed, along with General Aidid's determination and the sophistication of his hand's weaponry. He came out shooting rather than accepting ultimatums to cooperate in a political redesign for Somalia that would eliminate his power. He has ignored demands that he surrender to be tried for his crimes. No Raisuli be. Aidid forces have blown up four

power. The American attention he gets builds him, or his successor without his clan support, into a national symbol of resistance. It turns him into a tool for more important anti-American forces like Iran or Sudan, ever alert for new opportunities to poll Uncle Sam's beard.

Sending Treasures Home

The so-called Lydian Hoard, a cache of 2,500-year-old silver looted until this month at New York's Metropolitan Museum of Art, is not all that high-profile among museum treasures. True, it is said to be a stunning collection — bowls, flasks, jewelry, glassware and other precious objects found in tombs dating from the classical reign of the legendary King Croesus.

lays heavy emphasis on this case's special features. For one thing, the looting in question apparently took place in 1961, before the United States had signed a pivotal UNESCO treaty governing law in this field. For another, the evidence that the looting actually took place, turned up during the court process, is said to have been stunningly clear — as was evidence that museum staff who handled the original acquisition were aware that it was questionable.

For nearly a decade, the modern Turkish government and the Metropolitan Museum have been struggling over whether the treasures must be returned to Turkey on the grounds that there was serious evidence that they had been looted illegally in 1961 from tombs in Turkey's present-day territory. Last Wednesday the museum settled the case by agreeing to send them back.

Much has changed in the world of antiquities and of museum practices since that time, some of it reluctantly and as a result of legal pressure, some because museum-based scholars no less than countries of origin see that it is in their interest to prevent the looting of antiquities. Once a treasure has been torn from its setting, it is practically impossible to learn anything definitive about it or the culture that produced it. Collectors and dealers benefit from clandestine material only at long-term cost to the field.

Cases like this one, long a centerpiece in the increasingly contested issue of cultural patrimony and repatriation, are closely watched by those who fear that a single precedent could somehow force the emptying of Western museums. The entire geography of the museum world, after all, reflects a couple of hundred years of political history — colonialism, the rise of the study of ancient cultures and the knowledge about their preservation — that cannot be practically reversed. The Met's decision to settle rather than go to trial (in New York's Federal District Court, which has had the case for the past six years) can be understood partly as the need to avoid creating such precedents. Similarly, the museum's official statement

Unlike the effort to get back treasures that left their countries during colonialism — such as the Elgin Marbles or the Trojan hoard newly rediscovered in Russia — the effort to control present-day looting is a concept that serious people in the field ought to find uncontroversial. The Met's action reflects, and ought to bolster, that growing consensus.

NAFTA and Environment

Environmentalists, accustomed to unified struggles against common enemies like air pollution and Ronald Reagan, have fallen to fighting among themselves over the North American Free Trade Agreement. Grass-roots organizations like Friends of the Earth say it will create a polluters' paradise in Mexico and degrade America. Mainstream groups like the National Wildlife Federation say it all but guarantees a cleaner Western Hemisphere.

ary between Mexico and the United States is undeniably a cesspool. "Dirty" U.S. industries like petrochemicals have flocked to the border zone because, under Mexican law, the goods they manufacture can be shipped back to the border States duty-free. NAFTA addresses the border problem in two ways. First, the side agreement promises \$8 billion for water and sewage treatment, although the money has yet to be appropriated. More important, all of Mexico will become a duty-free zone under NAFTA, thus removing any incentive to concentrate industry on the border.

NAFTA's critics are even more jittery now that a federal appeals court has ruled that the White House can forward the agreement to Congress without an environmental impact statement. A careful reading should ease their worries.

NAFTA will run Mexico. Mexico has strong environmental laws but rarely enforces them. Thus, critics say, America's dirtiest industries, tempted not only by lower wages but by regulatory indifference, will now infest every nook and cranny of Mexico. But NAFTA explicitly bars all three parties to the agreement from creating "pollution havens" by waiving or ignoring environmental laws for the purpose of seeking investment. The trick is to ensure that this pledge is honored.

NAFTA's opponents raise three main complaints, all overstated. NAFTA undermines laws. Critics say the agreement threatens global environmental treaties as well as stiff U.S. laws that, they fear, could be challenged by either Canada or Mexico as unfair barriers to free trade. But NAFTA explicitly protects the international pact prohibiting illegal trade in wildlife, the Basel Convention against shipment of hazardous waste, and the Montreal Protocol phasing out production of ozone-destroying chemicals.

To that end, the side agreement sets up a three-nation commission; any country, or private group like the Sierra Club believing that a country is not enforcing its laws, can complain. If the commission finds a pattern of violations, it can impose fines of up to \$20 million on the offending country, and if that does not work it can invoke trade sanctions. The procedure is cumbersome and hardly foolproof, but at least it will bring to bear international pressures that do not now exist. NAFTA will not harm Mexico, Canada or the United States into a preindustrial paradise. It simply seeks to protect the environment against the economic explosion that NAFTA is supposed to let loose. Those who claim otherwise have not done their reading.

NAFTA won't clean the border. The bound-

There Are Better Ways to Pursue Peace Than Mere Deterrence

By Andrew Mack

CANBERRA — Nation-states spend too much on the military instruments of security and not nearly enough on prevention, resolution and management of disputes. Even at the United Nations, where the "Agenda for Peace" report last year by Secretary-General Boutros Boutros Ghali stressed nonmilitary approaches to security, there are only 40 staff working in the area of preventive diplomacy and peacemaking, compared with some 82,000 mostly military personnel in the field.

There are no more than 100 staff working in the area of preventive diplomacy and peacemaking, compared with some 82,000 mostly military personnel in the field.

In a speech on Monday to the General Assembly in New York, Gareth Evans, Australia's foreign minister, suggested a far-reaching change in the way states think about seeking peace. His proposals are spelled out in detail in "Cooperating for Peace," a 200-page study published to coincide with the UN speech.

For reasons not always easy to understand, governments seem loath to examine the comparative cost efficiency of nonmilitary versus military means of achieving security. They think nothing of spending several million dollars a year to train a pilot in the professional skills of war-fighting, but they typically spend nothing on educating diplomats in the equally professional war-preventing skills of mediation, negotiation, conciliation, conflict resolution, arbitration or judicial settlement.

Whether preventive diplomacy could have succeeded in preventing the outbreak of hostilities between Iraq and Kuwait we shall never know, but the fact that it was never given a real chance made war inevitable. The human costs

should security solutions "be seen as coming out of the barrel of a gun." This does not mean that military defense is ignored. The concept of "cooperative security" embodied the idea of common security (achieving security with other nations, not against them) that emerged in Europe in the 1980s. It also embraces collective security, the idea that the international community should collectively respond to acts of aggression against one of its members. Such a response is embodied in the UN charter.

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China and Brazil: Favelas Around Beijing and Lift-Off for Rio?

By Philip Bowring

HONG KONG — Perhaps Beijing is fortunate not to have got the Olympics. By the year 2000 it seems quite possible that the city, which has undergone a dramatic modernization in the past decade, will be surrounded by shantytowns that will dwarf Brazil's infamous favelas.

China needs in land and labor productivity is becoming harder, Brazil, with its extensive land and fairly capital-intensive agriculture, should find it much easier to keep farm output well above population growth, higher than that in Brazil.

This is a conclusion drawn from a comparison of the Chinese and Brazilian economies. It seems odd to suggest that China, the fastest growing major economy of the past decade, might be heading in the same direction as last-past Brazil. But just as Brazil can obviously learn much from China's success, so China can learn something from an economy which, however badly managed in recent years, is significantly more advanced.

The urban/rural dilemma has been getting much attention in the Chinese press, with appeals for more emphasis on rural industries. As market-based reform continues, though, capital is likely to flow to urban and coastal areas where returns are highest.

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Argentina's Rising Cloud of Threats

By Pepe Eliaschev

BUENOS AIRES — On my radio talk show we have open phone lines for listeners to call in. Twice last week, an anonymous caller told a producer that my sons and I would be killed for being "enemies" of the government of President Carlos Saul Menem.

The government's security efforts have been ineffective. We have had five interior ministers in four years. Terrorists have operated with relative impunity. In March 1992, the Israeli Embassy was bombed and destroyed; 23 people died. Not a single suspect has been arrested.

Two reporters were beaten in Buenos Aires in the last month, one of them after publishing articles linking the governing Peronist Party to extortion rackets.

After his election in 1989, Mr. Menem took surprising steps. He abandoned protectionist policies, sold state companies, sought better relations with the United States and tried to improve his party's profile. But not all members of his party changed so easily. As we approach crucial parliamentary elections on Sunday, Mr. Menem seems to be moving closer to the violent factions of Peronism.

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IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1893: Shooting Gallery

NEW YORK — A stranger, seadily dressed, entered the gallery of the Board of Trade in Chicago this afternoon (Sept. 27) and began unsteadily to pace up and down, watching the crowd of excited brokers in the pits below. It was noticed later that he became nervous and agitated, and advanced to the center of the railing. Then he jerked out a revolver from his pocket. Aiming it at the crowd below, he began shooting rapidly. Mr. Tom Barrett, a well-known local athlete, dashed upstairs, and with a well-directed blow knocked the shooter down. A cowboy visitor, who had been watching the cowering bulls below, took a hand with Mr. Barrett and dragged the stranger out of the gallery. Several traders were hit, none fatally.

1943: A Candid Warning

WASHINGTON — [From our New York edition:] The nation's military chiefs bluntly warned a conference of 200 industrial, labor and newspaper leaders today (Sept. 27) that recent victories of the United Nations have failed to affect Axis strength in any vital degree and that there is no likelihood of an early collapse of Germany and Japan. This warning was tempered with an assertion by Lieutenant General Joseph T. McNarney, deputy chief of staff, that "the build-up period preparatory to decisive action is here, and we can strike the enemy when and where we choose."

1918: Bulgarian Plea

PARIS — Bulgaria has asked for an armistice as the first step to peace. With General Franchet d'Esperey's

underline the need for China to get to grips with the problem before it becomes endemic. One cause of inflation was the political need to monetize the losses of state enterprises. Over time in Brazil this created such a huge debt service burden that curbing the original problem is not sufficient. A second cause was that the power of state governments compared with the mechanisms of the central monetary authority resulted in their creating credit via local banks. China has a similar problem. Highly damaging though it is for investment, Brazil's sophisticated inflation indexation system and high real interest rates have kept the savings rate surprisingly high. China's savings rate recently has been even higher, but it may be vulnerable to low real interest rates. Brazil has begun to attract foreign money after a decade of outflow, but China is attracting five to six times as much. Yet the profitability of direct investment in China remains debatable, and the institutional mechanisms uncertain. Brazil has modestly provided high returns with lower risks than its domestic political mayhem, its inflation, its laid back lifestyle and its debt rescheduling may suggest. Perhaps significantly, Brazilian flight capital is beginning to move back home. Mainland Chinese money seems to think the grass is greener (or safer) overseas. Are we going to see another reversal of roles? International Herald Tribune.

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OPINION

Whatever Health Care Costs, Don't Let Freedom Suffer

By William Safire

WASHINGTON — Within a few years, health insurance will be universal and irrevocable in America.

Reality No. 1: The four out of five Americans who are presently covered will have to pay for the fifth person's insurance.

To claim that the cost of universal coverage will come out of 'bureaucratic savings' or reductions in paperwork is to hypnotize yourself.

that the cost of insurance will be paid by the taxpayer. The consumer and the taxpayer are the same person.

The huge new benefit — the social justice of changing charity to an entitlement — will have a price. President Clinton would have us believe that the cost of insuring the fifth person will be made up by eliminating paperwork.

Reality No. 2: Republicans bawling in secret conclave have decided not to be out-competed by anybody.

Reality No. 3: The Clinton plan imposes price controls. Its choke point on a free economy is the insurance premium.

Mr. Clinton's proposed price control dares to be aboveboard on new drugs.

supreme court of health will determine the price of newly developed medicines, the Clintons have chosen to inhibit private investment in potential cures for AIDS, brain diseases, cancer or the common cold.

The last thing reform should do is reduce the current investment in new drugs that may curtail expensive hospital stays.

Reality No. 4: Buyers' cooperatives usually contribute to competition, realizing savings by buying in bulk.

Reality No. 5: Notwithstanding the previous realities, the Clintons have touched the nation's guilty conscience.

Reality No. 6: The heat is on conservatives not to merely tinker with a statist plan, but to come up with one that protects individual choice.

Who will espouse the alternative that emerges? Dr. Bernadine Healy left liberal Senator Jay Rockefeller an exasperating wreck on Sunday's NBC Brinkley show.

Remember: Nothing is for nothing. The generous four will pay to cover the fifth person with higher taxes, higher prices and higher premiums.

Letters intended for publication should be addressed to "Letters to the Editor" and contain the writer's signature, name and full address.



'The Health Fairy says I get to pay your health care premiums. You're fired!'

LETTERS TO THE EDITOR

Voices for Peace

Regarding "Economies Won't Be Enough" (Sept. 24) by Jerome M. Segal: I never expected to read such an honest and sympathetic accounting of the Palestinian perception of the Middle East conflict.

Another Look at NAFTA Regarding "NAFTA Looks Bad for U.S. Jobs and Wages" (Opinion, Aug. 25) by Harley Shaiken:

Mexico in recent years has engaged in deep reforms that are geared toward stimulating economic initiative and innovation.

The Mexican automotive industry, as an example, has achieved average annual sales surpassing \$26,000 vehicles.

Mexico's environmental budget increased by a factor of nine in two years. Within Mexico City, the government has gradually replaced the old pollution-sweeping buses.

thoroughly examined more than 600 of our children, and not once has there been any evidence of abuse.

After a week of intensive study of the Family's lifestyle and its effect on our children, Dr. Lawrence Lilliston, chair of the Psychology Department of Oakland University in Michigan, asserted: "It is in fact difficult to imagine a healthier, more growth-enhancing milieu than exists in these homes."

Our homes are open to the public. If you would like to know more about our fellowship, please call us to arrange a visit to one of our communities.

PHILLIP EDWARDS, Cambridge, Massachusetts.

Irritated by Clinton Regarding "At a Town Forum Clinton Hints at Possible Extra Taxes" (Sept. 25):

I am not certain what I found more irritating: President Bill Clinton's continued pretense that he will not increase taxes to pay for universal health care or his high-handed, demagogic response to a woman's moral concerns about tax-funded abortions.

As to allegations of child abuse, our church policy mandates that any adult guilty of having sexual contact with a minor be immediately ousted.

People wonder why United Nations forces remain in Somalia. Consider the history: Last fall, world

Beware Medical Wizardry And Cast Out the Leeches

By Daniel S. Greenberg

WASHINGTON — Americans will have to face up to a little-discussed challenge if health care reform is to succeed: They will need to moderate their faith in medical wizardry.

Many widely used health-care techniques have never been subjected to independent, objective analysis to determine their value for patients.

Another example of dubious procedures concerns heart attack victims who do not respond to emergency treatment outside a hospital.

Complex surgical treatment for prostate cancer, for example, has in recent years been hailed as an important medical advance.

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The study of what works and what doesn't in medicine is an "outcomes" research — is underdeveloped, costly and regarded with disdain by enthusiasts for various procedures.

What has been achieved by intelligent secret diplomacy — the first steps being taken toward peace in the Middle East — leads me to hope that similar progress can be made toward a settlement of the Cuban situation.

Everybody knows that the moment the Berlin Wall was torn down and the Soviet empire started to disintegrate, Fidel Castro's days were numbered.

As with the Israeli-PLO agreement, there would be stiff criticism from both sides of any U.S.-Cuban negotiations. This is to be expected.

Maurice Baird-Smith, London.

Every year, hundreds of thousands of women undergo these tests, at an average cost of \$200 per procedure. The tests can reveal abnormalities, and are anxiously sought by expectant parents.

When researchers compare the pregnancy outcomes of those who had undergone routine sonograms to those who had not, they found virtually no difference in the numbers of birth defects or problem deliveries.

Another example of dubious procedures concerns heart attack victims who do not respond to emergency treatment outside a hospital.

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Maurice Baird-Smith, London.

BOOKS

THE MORNING AFTER: Sex, Fear, and Feminism on Campus. By Katie Roiphe. 180 pages. \$18.95. Little, Brown.

NOT GUILTY: The Case in Defense of Men. By David Thomas. 255 pages. \$20. Morrow.

Reviewed by Cathy Young

WHETHER or not the 1980s were the backlash decade, the '90s have emerged as the decade of the sex wars.

As a Princeton graduate student, 24-year-old Katie Roiphe writes from the trenches of gender warfare.

For many college women — or girls, as the irreverent Roiphe often calls them — ritual recitation of alleged abuse at a Take Back the Night rally becomes a morbid rite of passage.

To our readers in Vietnam and in Cambodia: You can receive the HTI card delivered to your home or office on the day of publication.

unwanted sex — even without force — causes women irreparable trauma. The "survivors" of today "may worry more about their self-esteem than their virtue, but they are still attaching the same quasi-religious value to a physical act."

Having grown up believing in feminism as a celebration of female autonomy and strength, Roiphe is appalled by the assumptions of passivity and frailty implicit in the notion of rape by "verbal coercion," by the paternalism of attempts to protect women not just from sexual blackmail but from sexual innuendo.

This chilly sexual climate is not solely the result of radical feminism: Roiphe acknowledges such factors as fear of AIDS and the more timeless sexual fears of losing control and being hurt.

True, the sexual revolutionaries demanded freedom from the neo-feminist clamor for control. But could there be a connection between the naivete of the belief in joyful, uncommitted sex and the bitterness of disillusionment?

Chess. Black. Because of these possibilities, Skembris would have had to run for a draw with 21 Ra4 d22 Ng5! f3 Qx5 Kh8 24 Qf6, which starts a repetition of position.

Morning After — the expansion of the concept of rape, the paradox between the flaunting of female sexuality and splintered horror at delusional men.

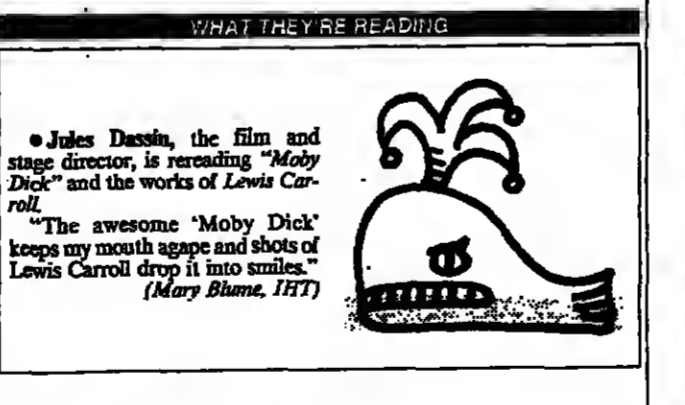
Thomas argues that feminists have exaggerated the power of men and the powerlessness of women in traditional arrangements (and he's right, though he lapses into the opposite error).

Thomas argues that feminists have exaggerated the power of men and the powerlessness of women in traditional arrangements (and he's right, though he lapses into the opposite error).

What irks him is that rather than champion the equal humanity of the sexes, radical feminists seek to dehumanize men. He stresses that he is not denying the existence of male abuse of women, only claiming that "men do rather less harm than is currently believed, and women do rather more."

Some may detect scrimony in Thomas's accounts of abusive behavior by women, despite repeated protestations to the contrary. Yet ultimately, the book is a plea for gender peace, urging men to "stop being bullies on the one hand, guilt-ridden apologists on the other."

Cathy Young, author of "Growing Up in Moscow," wrote this for The Washington Post.



WHAT THEY'RE READING

Jules Dassin, the film and stage director, is rereading "Moby Dick" and the works of Lewis Carroll. "The awesome 'Moby Dick' keeps my mouth agape and shots of Lewis Carroll drop it into smiles." (Mary Blume, HBT)

CHESS

Chess. Because of these possibilities, Skembris would have had to run for a draw with 21 Ra4 d22 Ng5! f3 Qx5 Kh8 24 Qf6, which starts a repetition of position.

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Simply Modern: Contrasting Looks at Luxury for the 1990s



What is modern? Two strong designers, Hervé Leger in Paris and Yugoslavian-born Zoran, working out of New York, offer two contrasting visions of fashion now: the artful simplicity of couture brought up to date versus the stark simplicity of minimalism.

Zoran, with his models: "I don't use all those old-fashioned dummies. I make the proportions of the body."

Hervé Leger, and mannequins: "I am completely against floppy fashion and grunge because it is not attractive."

LONDON — Zoran Lazarevic (just call him Zoran) is adjusting a black cashmere sweater so that it drapes over a bared shoulder, runs over the body and

flows into the oyster satin skirt below. "Simple shapes, comfort and uncluttered is the American way," Zoran says. "I imagine and analyze in my mind — I don't use all those old-fashioned dummies. I make the proportions of the body, everything in one size. The European mind is still living in the 19th century. Americans accept what is modern."

Zoran has become a prophet in his own fashion lifetime. In 1976 he stated his philosophy of minimalism and became the Mies van der Rohe of clothing as he sent out basic elements of American sportswear in luxurious fabrics. His less-is-more clothing — a cashmere sweater, saia T-shirt, simple pants and collarless cardigans — built up a cult following before his style was eclipsed by the extravagance of the 1980s. In the penitent 1990s, Zoran, with his black beard, black sweater and black pants, seems like the founding father of the modernist cult.

"I am someone who was always going against the wind," he says. "This most reclusive and recalcitrant of designers was in London last week to celebrate 18 years of collaboration with Browns boutique and its owner, Joan Burstein, who had found Zoran in his bare SoHo studio and stuck with his plaid, neutral-colored clothes through the opulent 1980s. The designer himself, in a fit of the prickles, withdrew his clothes from most of the major American stores in 1983 (he sells at Barneys) and concentrated on a private clientele that includes Isabella Rossellini, Lauren Hutton, Candice Bergen and Queen Noor of Jordan.

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"No human being refuses luxury — but you have to remember that you have to pay for it — and you cannot complain that it is too expensive," says the designer, claiming that he can tolerate only cashmere on his body and that he rejected wool, even as a child in Europe skiing, as "like a Brillo pad."

Luxury, Zoran says, is 'never to be irritated.'

— these are all American words," he says, praising the sleek sportswear of Calvin Klein, Donna Karan and Anne Klein. "It is simplicity in fabric and way of cut. You cannot produce complicated clothes or spend 10 days making a dress. Mine is all done by scaling measurements. I use the body as the land, as when building a house.

The testine show in London offered Zoran's deceptive simplicity that comes from cutting a black crepe dress on the bias so that it slithers into a cowl at the back, or making a skirt swaddling the hips and knotting at the front.

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The only games are with proportion. Like the brief cabled sweater standing away from the body at the waist. Or there are plays on color and texture: a discreet sparkle of lamé lining chiffron pants; a soft alpaca coat buttoned black velvet pants; an oyster saia top contrasting with mat-black chiffron pants. The fit is always loose and easy and all the sensuality is in the tactile and luxurious fabrics.

"Clothes should never touch the body — when they show the body, when everything is revealed it's vulgar," he says, decrying the flaut-it 1980s. "Who wore tight clothes? All the prostitutes. A woman who had married and had children never went on the streets showing her body."

What about stretch leggings? Zoran dismisses them as "young and athletic — they are not fashion." He insists that modern clothes must be wearable throughout the business day, travel well and work for a woman who "can wear anything she wants. She is intelligent and she is deciding."

By Suzy Menkes
 International Herald Tribune

PARIS — Hervé Leger is watching a seamstress stitch one of his signature haodage dresses. Straps a finger-span wide mummify a mannequin, the wrap and crisscross technique creating a curvy little dress — like the one that Princess Stephanie of Monaco wore to the Cannes film festival.



"The notion of seduction is something indispensable," says Leger. "Feminism has done good things, but women have lost the power of seducing. Not every woman wants to wear a jogging suit."

Leger is opening the most discreet fashion store in Paris this week. It is on Faubourg Saint-Honore, but up one flight, behind closed doors. There the 35-year-old designer has created a salon in the traditional sense — rococo gilded mirror, walls painted with a Gauguin-esque sunset, billowing lavender taffeta curtains, wallpaper depicting a Florentine landscape. Yet all that is laced with modernity: an André Putnam lamp, a graphic checkerboard carpet and mannequins in a rainbow coalition of vivid colors.

The decor is symbolic of Leger's clothes, which are traditional in construction but modern in spirit. Although the dress that molded Iman's body when she married David Bowie was made to order, Leger works not just in couture but also sells an off-the-rack collection. He picks out his favorite jacket, fitted snugly to the torso, lightly padded at the hips to emphasize the small waist. Other jackets are black crepe with a spider's web of seams and pockets emphasizing

In 1985, he set up his own label and built up a young, glamorous clientele from a tiny studio, as well as selling to American stores. The decade went flat for fashion in the 1990s, but Leger's business was backed by Seagram, the owner of Mumm champagne, which decided to invest in the designer in 1992. That backing is behind the new premises at 29 Rue du Faubourg Saint-Honore — a historic building where Coco Chanel was once a tenant.

Leger says that he was contacted by various businesses but "wanted people who were understanding, not fashion people, but those who would listen to me and have mutual respect." He does not plan a mighty fashion empire but hopes to do shoes, cosmetics, "because I love colors," and lingerie "because it corresponds to my spirit."

There is something intensely French about Leger's style: a pampered, Parisian elegance that used to mean tettering out in stiletto heels with a poolie, but now translates as a sophisticated awareness of the body and a discreet sexual allure. He talks a lot about "seduction," and his clothes would not be deemed for those who care about such things, politically correct.

"I am designing for a woman who wants to please and seduce and who wants to be noticed," says Leger. "I don't have a blockage about it or find the idea of attracting men shocking, although I detest vulgarity. I am completely against floppy fashion and grunge because it is not attractive. I think that there is still a desire to seduce and that it is a pleasure to see so many body dressed people."

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12 Month 52 Week High Low Last Day

Symbol	Price	Change	Volume
IBM	110.00	+0.25	10,000
MSFT	55.00	+0.12	8,500
GE	30.00	-0.10	5,200
AT&T	35.00	+0.05	6,800
DIS	40.00	+0.15	4,100
AMZN	20.00	+0.08	3,500
GOOG	15.00	+0.03	2,800
ORCL	25.00	+0.10	3,200
INTL	18.00	-0.05	2,100
HPQ	35.00	+0.12	4,500
QCOM	45.00	+0.20	3,000
TXN	50.00	+0.15	2,500
YHFC	12.00	+0.02	1,800
WAL	15.00	+0.05	1,500
WDC	18.00	+0.08	1,200
WII	22.00	+0.10	1,000
WLT	25.00	+0.12	900
WMT	30.00	+0.15	800
WV	35.00	+0.18	700
WY	40.00	+0.20	600
WZ	45.00	+0.22	500
WAA	50.00	+0.25	400
WAB	55.00	+0.28	300
WAC	60.00	+0.30	200
WAD	65.00	+0.32	150
WAE	70.00	+0.35	100
WAF	75.00	+0.38	80
WAG	80.00	+0.40	60
WAH	85.00	+0.42	50
WAI	90.00	+0.45	40
WAJ	95.00	+0.48	30
WAK	100.00	+0.50	20
WAL	105.00	+0.52	15
WAM	110.00	+0.55	10
WAN	115.00	+0.58	8
WAO	120.00	+0.60	6
WAP	125.00	+0.62	5
WAQ	130.00	+0.65	4
WAR	135.00	+0.68	3
WAS	140.00	+0.70	2
WAT	145.00	+0.72	1
WAV	150.00	+0.75	1
WAW	155.00	+0.78	1
WAX	160.00	+0.80	1
WAY	165.00	+0.82	1
WAZ	170.00	+0.85	1
WBA	175.00	+0.88	1
WBB	180.00	+0.90	1
WBC	185.00	+0.92	1
WBD	190.00	+0.95	1
WBE	195.00	+0.98	1
WBF	200.00	+1.00	1
WBG	205.00	+1.02	1
WBH	210.00	+1.05	1
WBI	215.00	+1.08	1
WBK	220.00	+1.10	1
WBL	225.00	+1.12	1
WBM	230.00	+1.15	1
WBN	235.00	+1.18	1
WBO	240.00	+1.20	1
WBP	245.00	+1.22	1
WBQ	250.00	+1.25	1
WBR	255.00	+1.28	1
WBS	260.00	+1.30	1
WBT	265.00	+1.32	1
WBV	270.00	+1.35	1
WBW	275.00	+1.38	1
WBX	280.00	+1.40	1
WBY	285.00	+1.42	1
WBZ	290.00	+1.45	1
WCA	295.00	+1.48	1
WCB	300.00	+1.50	1
WCC	305.00	+1.52	1
WCD	310.00	+1.55	1
WCE	315.00	+1.58	1
WCF	320.00	+1.60	1
WCG	325.00	+1.62	1
WCH	330.00	+1.65	1
WCI	335.00	+1.68	1
WCK	340.00	+1.70	1
WCL	345.00	+1.72	1
WCM	350.00	+1.75	1
WCN	355.00	+1.78	1
WCO	360.00	+1.80	1
WCP	365.00	+1.82	1
WCQ	370.00	+1.85	1
WCR	375.00	+1.88	1
WCS	380.00	+1.90	1
WCT	385.00	+1.92	1
WCV	390.00	+1.95	1
WCW	395.00	+1.98	1
WCX	400.00	+2.00	1
WCY	405.00	+2.02	1
WCZ	410.00	+2.05	1
WDA	415.00	+2.08	1
WDB	420.00	+2.10	1
WDC	425.00	+2.12	1
WDD	430.00	+2.15	1
WDE	435.00	+2.18	1
WDF	440.00	+2.20	1
WDG	445.00	+2.22	1
WDH	450.00	+2.25	1
WDI	455.00	+2.28	1
WDK	460.00	+2.30	1
WDL	465.00	+2.32	1
WDM	470.00	+2.35	1
WDN	475.00	+2.38	1
WDO	480.00	+2.40	1
WDP	485.00	+2.42	1
WDQ	490.00	+2.45	1
WDR	495.00	+2.48	1
WDS	500.00	+2.50	1
WDT	505.00	+2.52	1
WDV	510.00	+2.55	1
WDW	515.00	+2.58	1
WDX	520.00	+2.60	1
WDY	525.00	+2.62	1
WDX	530.00	+2.65	1
WDZ	535.00	+2.68	1
WEA	540.00	+2.70	1
WEB	545.00	+2.72	1
WEC	550.00	+2.75	1
WED	555.00	+2.78	1
WEE	560.00	+2.80	1
WEF	565.00	+2.82	1
WEG	570.00	+2.85	1
WEH	575.00	+2.88	1
WEI	580.00	+2.90	1
WEK	585.00	+2.92	1
WEL	590.00	+2.95	1
WEM	595.00	+2.98	1
WEN	600.00	+3.00	1
WEP	605.00	+3.02	1
WEQ	610.00	+3.05	1
WER	615.00	+3.08	1
WES	620.00	+3.10	1
WET	625.00	+3.12	1
WEV	630.00	+3.15	1
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WEY	645.00	+3.22	1
WEZ	650.00	+3.25	1
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WED	670.00	+3.35	1
WEE	675.00	+3.38	1
WEF	680.00	+3.40	1
WEG	685.00	+3.42	1
WEH	690.00	+3.45	1
WEI	695.00	+3.48	1
WEK	700.00	+3.50	1
WEL	705.00	+3.52	1
WEM	710.00	+3.55	1
WEN	715.00	+3.58	1
WEP	720.00	+3.60	1
WEQ	725.00	+3.62	1
WER	730.00	+3.65	1
WES	735.00	+3.68	1
WET	740.00	+3.70	1
WEV	745.00	+3.72	1
WEW	750.00	+3.75	1
WEX	755.00	+3.78	1
WEY	760.00	+3.80	1
WEZ	765.00	+3.82	1
WEA	770.00	+3.85	1
WEB	775.00	+3.88	1
WEC	780.00	+3.90	1
WED	785.00	+3.92	1
WEE	790.00	+3.95	1
WEF	795.00	+3.98	1
WEG	800.00	+4.00	1
WEH	805.00	+4.02	1
WEI	810.00	+4.05	1
WEK	815.00	+4.08	1
WEL	820.00	+4.10	1
WEM	825.00	+4.12	1
WEN	830.00	+4.15	1
WEP	835.00	+4.18	1
WEQ	840.00	+4.20	1
WER	845.00	+4.22	1
WES	850.00	+4.25	1
WET	855.00	+4.28	1
WEV	860.00	+4.30	1
WEW	865.00	+4.32	1
WEX	870.00	+4.35	1
WEY	875.00	+4.38	1
WEZ	880.00	+4.40	1
WEA	885.00	+4.42	1
WEB	890.00	+4.45	1
WEC	895.00	+4.48	1
WED	900.00	+4.50	1
WEE	905.00	+4.52	1
WEF	910.00	+4.55	1
WEG	915.00	+4.58	1
WEH	920.00	+4.60	1
WEI	925.00	+4.62	1
WEK	930.00	+4.65	1
WEL	935.00	+4.68	1
WEM	940.00	+4.70	1
WEN	945.00	+4.72	1
WEP	950.00	+4.75	1
WEQ	955.00	+4.78	1
WER	960.00	+4.80	1
WES	965.00	+4.82	1
WET	970.00	+4.85	1
WEV	975.00	+4.88	1
WEW	980.00	+4.90	1
WEX	985.00	+4.92	1
WEY	990.00	+4.95	1
WEZ	995.00	+4.98	1
WEA	1000.00	+5.00	1

... (Additional NYSE data tables and market commentary) ...

... (Main body of the newspaper page containing various news articles, financial reports, and market analysis) ...

NASDAQ

Monday's Prices
NASDAQ prices as of 4 p.m. New York time.
This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
110 1/4	108 1/4	1988 AMC	1.00	4.5	12.5	110 1/4	108 1/4	109 1/4	-1/4
109 1/4	107 1/4	1988 BAC	1.00	4.5	12.5	109 1/4	107 1/4	108 1/4	-1/4
108 1/4	106 1/4	1988 C	1.00	4.5	12.5	108 1/4	106 1/4	107 1/4	-1/4
107 1/4	105 1/4	1988 D	1.00	4.5	12.5	107 1/4	105 1/4	106 1/4	-1/4
106 1/4	104 1/4	1988 E	1.00	4.5	12.5	106 1/4	104 1/4	105 1/4	-1/4

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
105 1/4	103 1/4	1988 F	1.00	4.5	12.5	105 1/4	103 1/4	104 1/4	-1/4
104 1/4	102 1/4	1988 G	1.00	4.5	12.5	104 1/4	102 1/4	103 1/4	-1/4
103 1/4	101 1/4	1988 H	1.00	4.5	12.5	103 1/4	101 1/4	102 1/4	-1/4
102 1/4	100 1/4	1988 I	1.00	4.5	12.5	102 1/4	100 1/4	101 1/4	-1/4

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
101 1/4	99 1/4	1988 J	1.00	4.5	12.5	101 1/4	99 1/4	100 1/4	-1/4
100 1/4	98 1/4	1988 K	1.00	4.5	12.5	100 1/4	98 1/4	99 1/4	-1/4
99 1/4	97 1/4	1988 L	1.00	4.5	12.5	99 1/4	97 1/4	98 1/4	-1/4
98 1/4	96 1/4	1988 M	1.00	4.5	12.5	98 1/4	96 1/4	97 1/4	-1/4

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
97 1/4	95 1/4	1988 N	1.00	4.5	12.5	97 1/4	95 1/4	96 1/4	-1/4
96 1/4	94 1/4	1988 O	1.00	4.5	12.5	96 1/4	94 1/4	95 1/4	-1/4
95 1/4	93 1/4	1988 P	1.00	4.5	12.5	95 1/4	93 1/4	94 1/4	-1/4
94 1/4	92 1/4	1988 Q	1.00	4.5	12.5	94 1/4	92 1/4	93 1/4	-1/4

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
93 1/4	91 1/4	1988 R	1.00	4.5	12.5	93 1/4	91 1/4	92 1/4	-1/4
92 1/4	90 1/4	1988 S	1.00	4.5	12.5	92 1/4	90 1/4	91 1/4	-1/4
91 1/4	89 1/4	1988 T	1.00	4.5	12.5	91 1/4	89 1/4	90 1/4	-1/4
90 1/4	88 1/4	1988 U	1.00	4.5	12.5	90 1/4	88 1/4	89 1/4	-1/4

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
89 1/4	87 1/4	1988 V	1.00	4.5	12.5	89 1/4	87 1/4	88 1/4	-1/4
88 1/4	86 1/4	1988 W	1.00	4.5	12.5	88 1/4	86 1/4	87 1/4	-1/4
87 1/4	85 1/4	1988 X	1.00	4.5	12.5	87 1/4	85 1/4	86 1/4	-1/4
86 1/4	84 1/4	1988 Y	1.00	4.5	12.5	86 1/4	84 1/4	85 1/4	-1/4

AMEX

Monday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press.

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
100 1/4	98 1/4	1988 Z	1.00	4.5	12.5	100 1/4	98 1/4	99 1/4	-1/4
99 1/4	97 1/4	1988 AA	1.00	4.5	12.5	99 1/4	97 1/4	98 1/4	-1/4
98 1/4	96 1/4	1988 AB	1.00	4.5	12.5	98 1/4	96 1/4	97 1/4	-1/4
97 1/4	95 1/4	1988 AC	1.00	4.5	12.5	97 1/4	95 1/4	96 1/4	-1/4

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
96 1/4	94 1/4	1988 AD	1.00	4.5	12.5	96 1/4	94 1/4	95 1/4	-1/4
95 1/4	93 1/4	1988 AE	1.00	4.5	12.5	95 1/4	93 1/4	94 1/4	-1/4
94 1/4	92 1/4	1988 AF	1.00	4.5	12.5	94 1/4	92 1/4	93 1/4	-1/4
93 1/4	91 1/4	1988 AG	1.00	4.5	12.5	93 1/4	91 1/4	92 1/4	-1/4

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
92 1/4	90 1/4	1988 AH	1.00	4.5	12.5	92 1/4	90 1/4	91 1/4	-1/4
91 1/4	89 1/4	1988 AI	1.00	4.5	12.5	91 1/4	89 1/4	90 1/4	-1/4
90 1/4	88 1/4	1988 AJ	1.00	4.5	12.5	90 1/4	88 1/4	89 1/4	-1/4
89 1/4	87 1/4	1988 AK	1.00	4.5	12.5	89 1/4	87 1/4	88 1/4	-1/4

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
88 1/4	86 1/4	1988 AL	1.00	4.5	12.5	88 1/4	86 1/4	87 1/4	-1/4
87 1/4	85 1/4	1988 AM	1.00	4.5	12.5	87 1/4	85 1/4	86 1/4	-1/4
86 1/4	84 1/4	1988 AN	1.00	4.5	12.5	86 1/4	84 1/4	85 1/4	-1/4
85 1/4	83 1/4	1988 AO	1.00	4.5	12.5	85 1/4	83 1/4	84 1/4	-1/4

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
84 1/4	82 1/4	1988 AP	1.00	4.5	12.5	84 1/4	82 1/4	83 1/4	-1/4
83 1/4	81 1/4	1988 AQ	1.00	4.5	12.5	83 1/4	81 1/4	82 1/4	-1/4
82 1/4	80 1/4	1988 AR	1.00	4.5	12.5	82 1/4	80 1/4	81 1/4	-1/4
81 1/4	79 1/4	1988 AS	1.00	4.5	12.5	81 1/4	79 1/4	80 1/4	-1/4

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
80 1/4	78 1/4	1988 AT	1.00	4.5	12.5	80 1/4	78 1/4	79 1/4	-1/4
79 1/4	77 1/4	1988 AU	1.00	4.5	12.5	79 1/4	77 1/4	78 1/4	-1/4
78 1/4	76 1/4	1988 AV	1.00	4.5	12.5	78 1/4	76 1/4	77 1/4	-1/4
77 1/4	75 1/4	1988 AW	1.00	4.5	12.5	77 1/4	75 1/4	76 1/4	-1/4

Notes: Figures are unaudited. Yearly highs and lows reflect trading data. Where a split or stock dividend occurred, the dividend rate shown is for the new stock only. Unless otherwise indicated, all dividends are annual distributions based on the dividend rate shown.

- 1 - New York City
- 2 - Dividend declared or paid in previous 12 months
- 3 - Dividend declared or paid in previous 12 months
- 4 - Dividend declared after split or stock dividend
- 5 - Dividend declared after split or stock dividend
- 6 - Dividend declared or paid in previous 12 months
- 7 - Dividend declared or paid in previous 12 months
- 8 - Dividend declared or paid in previous 12 months
- 9 - Dividend declared or paid in previous 12 months
- 10 - Dividend declared or paid in previous 12 months
- 11 - Dividend declared or paid in previous 12 months
- 12 - Dividend declared or paid in previous 12 months
- 13 - Dividend declared or paid in previous 12 months
- 14 - Dividend declared or paid in previous 12 months
- 15 - Dividend declared or paid in previous 12 months
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- 24 - Dividend declared or paid in previous 12 months
- 25 - Dividend declared or paid in previous 12 months
- 26 - Dividend declared or paid in previous 12 months
- 27 - Dividend declared or paid in previous 12 months
- 28 - Dividend declared or paid in previous 12 months
- 29 - Dividend declared or paid in previous 12 months
- 30 - Dividend declared or paid in previous 12 months

Handwritten scribble: 1988 AMC

Handwritten number: 010

Ad: ... French ...

Ad: ... Merger ...

Global Banking and Finance

Freedom For French Institutions

By Jacques Neher

PARIS — With some of France's biggest banking and insurance institutions set to be privatized, the rules of the game are about to change for the country's financial industry.

By entering the private sector, analysts say, the institutions will be freed up to invest, restructure and find partners for international growth according to their internal strategic needs — and be less subject to the whims of the government.

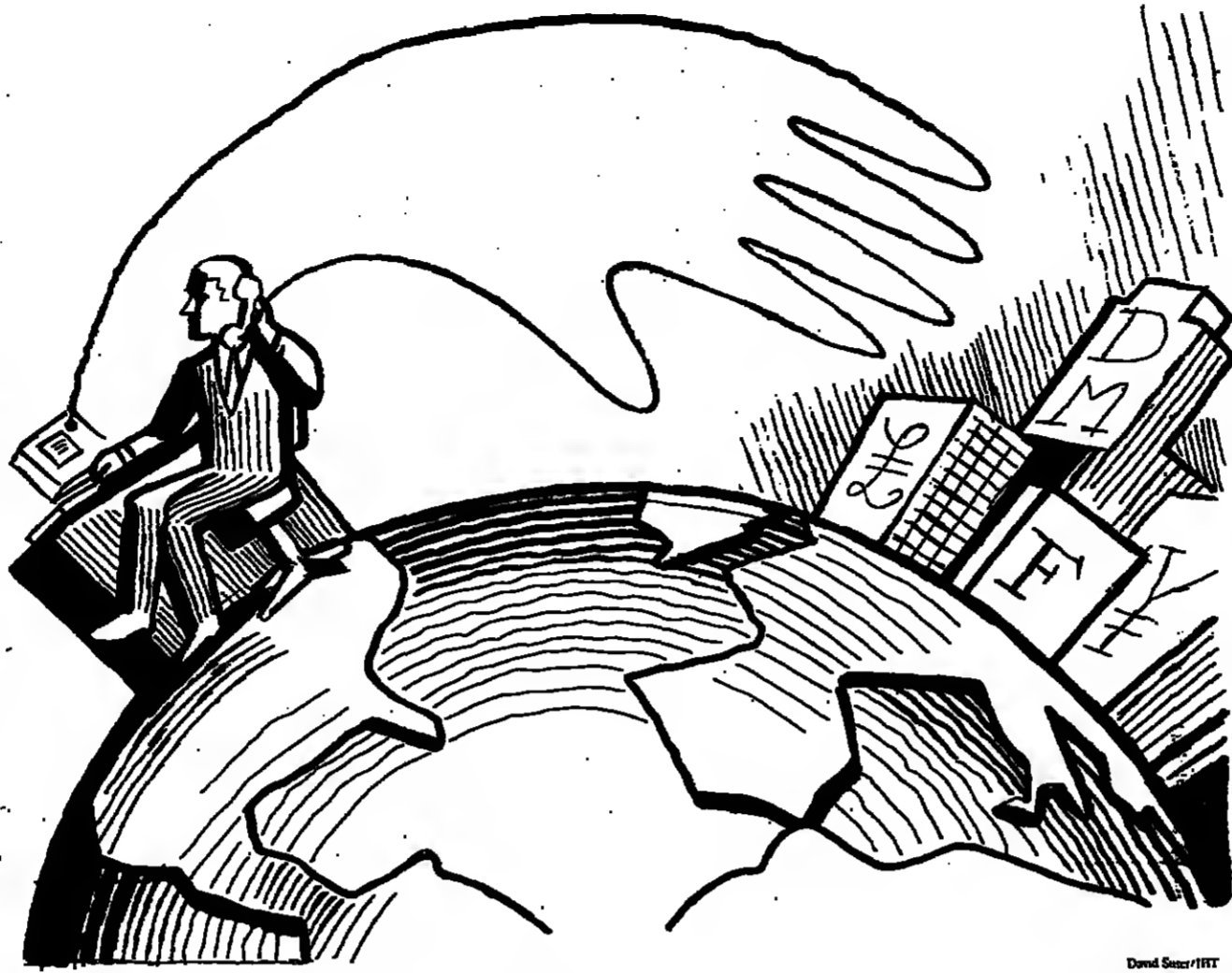
In addition, the government of Prime Minister Edouard Balladur plans to sell off the three biggest state-owned insurance groups — Union des Assurances de Paris (UAP), Assurances Générales de France (AGF) and Groupe des Assurances Nationales (GAN) — plus the Caisse Nationale de Prévoyance, a specialist in life insurance, and the Caisse Centrale de Réassurance, which focuses on reinsurance.

The privatization program should lead to a host of changes in the ways the big banks are managed and the strategies they pursue, particularly as the need to shore up the bottom line for investors becomes a primary concern.

"I expect more layoffs and a cost squeeze at BNP," said Marie-Laure Favre-Gilly, analyst at Baring Securities in Paris.

Indeed, Michel Pébereau, who became chairman of BNP in May, has said he intends to streamline and refocus the bank's vast 2,000-branch network, particularly in

Continued on page 16



In Japan, Fears of a Meltdown Dissipate

By Steven Brill

TOKYO — Doubts about the solvency of Japan's mighty banks have eased over the past year, but bad debts continue to mount, cutting into profits, crimping lending and helping to delay recovery in the world's second-biggest economy.

Just 13 months ago, fears that a major Japanese bank might collapse in the aftermath of the implosion of the bubble economy of the late 1980s were at the center of a vicious downward spiral of the share market. As the Tokyo Stock Exchange's Nikkei index skidded below 15,000 points, threatening financial meltdown, the Finance Ministry

came to the rescue by waiving rules on disclosure and guiding public funds into the stock market.

In recent months, though, panic has been replaced by cautious optimism. The Nikkei has been trading between 19,000 and 21,000, high enough to put Japanese banks comfortably above their 8 percent capital-adequacy ratios and obviating the need to dump stocks to boost capital. Interest rates at historically low levels have also boosted spreads between lending and borrowing and helped shore up profits. Equally important, prices for property, the main source of collateral in many loans, appear to be stabilizing.

Yet, if fears of meltdown have ebbed, at least as long as the equity market stays above 18,000, the bad debt problem festers. The

question has become less whether Japan's banks are sound, but more how long it will take to heal their wounds and resume lending in an economy in profound need of restructuring.

"Financial solvency is no longer an issue," said David Snoddy, an analyst at Jardine Fleming Securities. "But the banks have really been burned and are not willing to lend." That could become a major problem when the economy, and loan demand, pick up, he added.

Just how badly burned the banks are remains open in question. In November, when 21 big banks announce the amount of their nonperforming loans at the end of September,

Continued on page 15

Companies Diversify Ways to Raise Money

U.S. Business Goes Shopping Abroad To Tap the Stock and Bond Markets

By Conrad de Aenlle

IT used to be that when a company wanted to raise finance, it went down to the local bank. Now there's a good chance it will head to the local stock exchange or bond market. And if there's nothing suitable there, it may shop around for a better deal in markets halfway around the world.

Traditional banks are becoming increasingly less important as a source of capital for business; for three years, commercial lending has been flat in the United States, and the outstanding value of commercial and industrial loans has fallen. At the same time, the growth in corporate finance arranged through other means has been astounding.

As of mid-September, the value of initial public stock offerings to the United States totaled \$25 billion, figures compiled by Securities Data Co. show. That is more than 1992's record sum, which itself was twice as much as in the 13 years through 1982 combined. Last year also set a record for secondary offerings, or share sales by companies already trading publicly. At the present pace, a new record will be set this year.

U.S. corporate debt issues, likewise, are on pace to break the record set last year of \$32.1 billion; that amount was well above the previous year's total of \$20.8 billion and more than twice the total recorded for any other year, the Securities Data numbers show.

The trend toward onbank financing is not just an American one. Through mid-September, debt issues outside the United States reached \$310 billion, breaking last year's record. The figures for equity offerings are out as persuasive. Although they have been increasing for several years, they still lag the totals reached in the middle of the last decade, which were probably skewed by a spate of European and Japanese privatizations.

The simplest reason for corporations tapping the stock and bond markets is that share prices in every major market except Japan are near all-time peaks, and interest rates, particularly in the United States, are

close to their lowest levels in a generation. That supply of corporate paper has easily been matched by demand for it. Savers have been forced to chase the higher returns they offer because of a worldwide decline in bank deposit and money market rates. The chief conduit out of cash and into stocks and bonds are investment funds, which have been attracting money at an unprecedented rate.

"The mutual fund surge is contributing to the longest-running initial public offering boom in recent times," Sorrell Mathes, head of corporate finance in Prudential Securities' investment banking group, notes in a report. "Mutual funds have large cash inflows to invest, because of low interest rates, on alternative investments for individuals. The need to invest these funds has fueled considerable demand for all equity products, especially IPOs."

The growth of funds, and of stock and bond offerings, is capitalism in action. Funds do the same things for savers as banks do, only cheaper, and so savers get higher returns.

MEANWHILE, investment banks have been taking over the role that commercial banks have played in arranging financing: by putting together bond and stock offerings, they can route money more efficiently to the companies that need it. The result in both cases is that conventional banks touch a lot less money than they used to.

"Investors' funds are bypassing the intermediation of banks and increasingly flowing directly, or more particularly via bond funds, into bonds as the financing role of bank lending is reduced from its excessive levels of the 1970s and early 1980s," said Howard Flight, director of Guinness Flight Global Asset Management.

Also greasing the financial machinery is the proliferation of cross-border trading. New technology has allowed companies to scour any continent for the best financing arrangements and has granted investors ac-

Continued on page 16

Mega-Mergers Shrink the Bank Sector

Around the World, Excess Capacity Is Being Soaked Up

By Philip Crawford

PARIS — To say that mergers have been a recent trend in the global banking industry is to understate the fact dramatically. It has been more like a cascade, a whirlwind, a juggernaut. And experts say that the sharp consolidation will continue until the considerable surplus that still remains in the global banking system has been eliminated.

Theories regarding the forces that have precipitated such severe downsizing are legion. Some simply blame deregulation, while others point to overly aggressive business strategies that led to chancy loans, too many of which ended up in default. There are analysts who say that bankers and brokers, merely underestimated the depth of the recent recession. Some experts even maintain that the roots of the merger movement are to be found 100 years ago.

But one thing is certain: The number of banks in the world is shrinking fast, as the strong devour the weak and as forward-looking strategic alliances are struck, both on a domestic and a cross-border basis. Indeed, on the international side, there have been 617 cross-border banking mergers valued at \$32.9 billion during the period from Jan. 1, 1988, through June 30, 1993, according to KPMG International in Amsterdam, which tracks global mergers and acquisitions.

These days, when boardroom banter turns to the topic of bank mergers, it is the United States that is often perceived as being the real hotbed of activity. One reason for that is the series of high-profile mergers that has taken place there over the past two years. Chemical Banking with Manufacturer's Hanover, NCNB with C&S/Sovran, and BankAmerica with Security Pacific. At the end of 1992, the three banks that emerged from those deals (Chemical, NationsBank and BankAmerica) held a combined total of \$438 billion in assets.

BUT the mega-mergers have been equally prevalent in Europe. In early 1990, Den Danske Bank and Copenhagen Handelsbank, Denmark's two largest commercial institutions, combined in form a Scandinavian banking power with 100 billion kroner (then \$41.5 billion) in assets. The previous year, the second-largest Danish bank was folded into the merger bank with Privatbanken, SDS, and Andelsbanken. It was also in 1990 that Algemene Bank Nederland

and Amsterdam Rotterdam Bank merged to form the Dutch giant ABN AMRO.

There has been serious action to the south, as well. In May 1991, Banco Hispano Americano and Banco Central announced in Madrid that they would merge in form Spain's largest bank. Last year, HSBC Holdings, the parent of Hong Kong & Shanghai Bank, bought out U.K.-based Midland Bank for \$5.5 billion. And early

Sasha Serafimovski, a banking specialist at Merrill Lynch in London, said consolidation in Europe has been partially the result of forces set in motion by deregulation. "The gradual deregulation of European banking has hit hard and brought about severe competition," he said. "The banks have had to bid up interest rates paid on deposits in order to attract customers, while at the same time lower the rates they charge on

serve Bank of New York revealed an eye-opening statistic in a speech to bankers: In the United States, there are approximately 45 commercial banks for every one million citizens. In the United Kingdom, the figure is nine banks per million. In Germany, four, and in Japan, one.

The structure of the U.S. banking industry in past decades, with its proliferation of small banks and its heavy, cost-laden framework, is an anachronism which is not at all suited to the competitive and technological environment of today," said James J. McDermott Jr., president of Keefe, Bruyette & Woods, a New York brokerage specializing in bank stocks. "Banks have also been losing share in the overall financial services market for decades. Fifty years ago they had 80 percent, now they have about 25 percent. Securities firms, fund companies, insurance companies and the like have taken that business away."

"All of this has been a force in the merger movement," continued Mr. McDermott. "One reality is simply that you don't need to go to a bank for things you used to go there for, such as a mortgage or a credit card. We're seeing a remake of the banking landscape."

MR. McDermott said the overbanked framework of the U.S. industry dates back to the 19th century, when people feared the potential power of a handful of big banks, a premise that led to the evolution of many small ones. He also predicted that more mergers — and large ones — will take place in the United States during the next few years. "There's a lot of action right now among banks with assets of between \$400 million and \$4 billion," he said. "I look for merger activity to continue there."

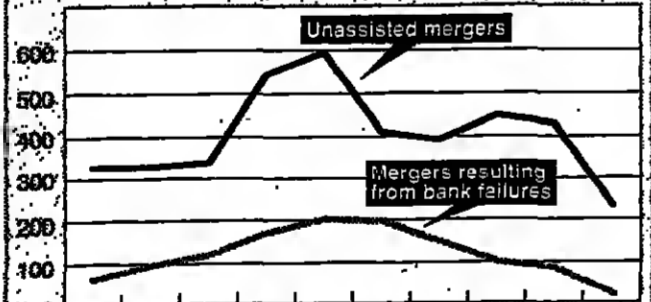
Like their counterparts in Europe, many U.S. analysts say that domestic bank mergers have by and large been successful. Executives of the banks involved tend to agree. "We're on schedule to reach the savings we targeted at the merger's outset," said Peter Tobin, Chemical Banking's chief financial officer. "We said that we'd save \$325 million by the end of 1993, and we're on track to achieve that. We expect to achieve savings of \$710 million in 1994 and \$750 million in 1995."

By the time Chemical's merger with Manufacturer's Hanover is fully integrated, over 6,000 jobs will have been cut through layoffs, attrition, and retirement. About

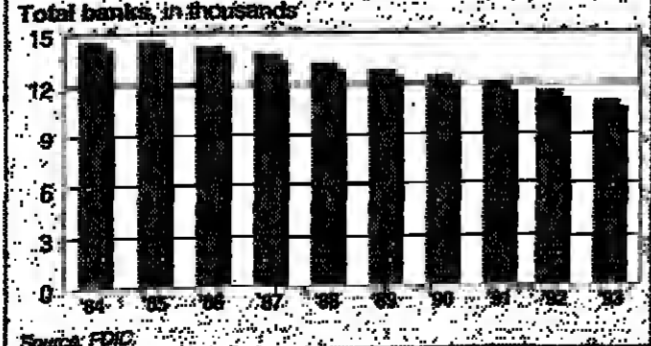
Continued on page 16

Shrinking U.S. Commercial Banks

U.S. bank mergers, yearly.



Total banks, in thousands.



this year, Crédit Suisse acquired the troubled Swiss Volksbank.

"There has long been excess capacity in the system," said Christopher Davis, who tracks the European banking industry for the London brokerage Barclays de Zoete Wedd. "The competitive and profitability pressures are continuing to squeeze out those who can't survive. Ultimately, I think you're going to wind up with four or five major players in the larger countries, and perhaps two in the smaller countries."

Mr. Davis said that in Italy, the forward trend will be absorption of the smaller players by the larger banks such as Banca Commerciale Italiana and Credito Commerciale, as opposed to mergers of the larger banks themselves. Germany's banking industry, he said, while not having moved strongly toward consolidation yet, should see substantial staffing cutbacks in the near future.

loans. It's a double whammy. And with profit margins so low, the banks have gone for increasingly risky loans, which have turned into deep losses.

Mr. Serafimovski said that, by and large, European mergers have been successful in cutting costs, increasing efficiency, and developing leaner, more profitable operations. "But it remains to be seen how these synergies pan out over a long period of time," he added.

For every merger in Europe, however, there appears to have been several in the United States. From the beginning of 1984 through the second quarter of this year, according to statistics compiled by the United States Federal Deposit Insurance Corporation, over 5,000 U.S. bank mergers were completed, about 30 percent of which involved a bank failure.

More consolidation seems sure to come. This summer, a senior vice president of the Federal Re-



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Swiss Restructuring Sets Stage for a Revival of Merger Activity

By Sarah Veal

GENEVA — Although Switzerland's mergers and acquisitions activity fell in 1992 by 40 percent and figures for January-August show a similar level for this year, several trends are setting the stage for an M&A boom two or three years hence.

As Swiss banks maintain a tight hold on credit, cash-strapped companies are opting to set up alliances rather than continue the acquisition rate that made Switzerland the top foreign buyer (61 deals) in the former East Germany in 1991. These alliances will begin to show up as mergers and acquisitions in a few years' time.

"The volume, in terms of dollars, will be less striking because alliances imply much less volume in terms of transition values," said Frédéric de Boer, general manager of Zurich-based consultants, Translink Helbling AG. "But if you look at the number of companies that are going to be acquired, it is very important."

Whether you buy oow or buy time de-

pend on the sector. "Swiss banks and insurance companies have the money to buy abroad, so 20 out of the 69 Swiss acquisitions this year are in that sector," Mr. de Boer said. "In engineering and machine tools, restructuring is not yet over. There are still too many small companies on the market. For now, they don't have the cash to buy so they are making alliances and joint ventures."

Part of the equation is the nature of Swiss companies. Contrary to the muscular image of such multinationals as Nestlé, Ciba, Sanofi and ABB, typical Swiss companies are small, family owned and serve niche markets — characteristics that are particularly suited to alliances.

"There are some very powerful companies in Switzerland, but the majority are small and have a cash problem," said Mr. de Boer. "An alliance is perfect for these more modest companies because it allows them to take their time and see how the synergies can work without the pressure and heavy cash requirement that comes with an acquisition."

Unlike the giants, who have moved pro-

duction abroad over the past 10 years seeking market access and lower costs, typical Swiss companies see alliances as their best chance of getting inside the European Community's gate. Finding a new way in became critical as of last Dec. 6, when the Swiss all but excluded themselves from the greater European market by voting against membership in the European Economic Area.

"The Dec. 6 vote hurt the Swiss economy," said Alexander Hofer, M&A consultant for ICME International. "The multinationals are not affected, but the smaller companies who export goods are. Now, these companies are trying to adapt to the situation."

(If the rejection of the EEA was an ill wind for exporters, it certainly blew some good the way of Swiss banks. With Switzerland's reputation as the home of banking secrecy clear again, capital is returning and the financial sector is looking forward to an excellent year.)

Alliances are also viewed as a way to achieve critical mass.

"Most Swiss companies, especially in the machine-tool industry, are niche players —

companies whose names don't ring a bell but which have excellent products," said Mr. de Boer. "If Swiss machine-tool companies are going to compete with the Japanese, they have to get to a critical size where they can distribute worldwide. This need is going to push them into alliances."

"There is definitely a shift to the rest of the world, especially a clear expansion to the Far East due to the Swiss export boom there and to the cheap labor source," said Hans Kaufmann, head of Swiss research at Bank Julius Bär.

Among the most interested are Swiss suppliers of machine tools and electronics, "because the only companies making money in that area today are Japanese," said construction companies, "because the only boom at the moment is in the Far East," Mr. de Boer noted.

For all these reasons, loose alliances are growing as an attractive adaptation to the new economic conditions. And what begins as alliances will inevitably turn into mergers and acquisitions in a few years.

"In the long run, competitors cannot be partners. The choice is to sell or buy, and

many of these Swiss companies will sell out because they have neither the will nor the financial muscle to acquire," said Mr. de Boer.

Natural aging will also play a part. "Family-owned companies established after World War II are now coming on the market as their founders get older and want to sell up," said Robert Penzone, Geneva partner, Ernst & Young.

THE banking sector, on the rails after a crisis brought on by poor real estate investments, has suddenly recovered, thanks to the upheaval in the European Monetary System.

"At the beginning of the year, my estimates of 32 percent growth in yearly earnings was considered very brave," said Mr. Kaufmann. "I have now revised that figure to 45-50 percent for the major banks while portfolio banks will do even better. And 1994 looks like turning in an even better performance."

Trading in foreign exchange and securities has soared, he added. "The historical average for Swiss banks' position in securities is

under 10 percent. Now, securities represent around 16 to 18 percent of the total balance sheet. This has never been seen in the history of Swiss banking."

Typical of Europe's "jobless recovery," Swiss banks are cutting their labor force for the first time since the 1950s. An estimated 6,000 of the sector's 140,000 jobs are being trimmed this year despite the good returns.

Consolidation could absorb 100 or so of Switzerland's 570 banks in a few years. The great majority of the activity is internal, with the large banks absorbing the small ones and regional banks merging to form larger units. Certain activities have attracted the eye of foreign financial players. "We get inquiries every month about acquiring banks specialized in portfolio management," said Mr. Penzone, "but few are willing to sell."

Swiss banking will probably stay a Swiss affair by the simple logic that a Swiss bank bought by a foreign bank is no longer Swiss. "An American bank doesn't come to Switzerland to go to a Japanese bank," said Mr. Kaufmann.

SARAH VEAL is a journalist based in Geneva.

Nordics See The Red Ink Turn Black

By Laura Colby

PARIS — Banks in Scandinavia are recovering well from the worst crisis in their history, and analysts are predicting a return to profit for some as early as this year.

As recently as February, some of the largest banks in the Scandinavian countries, such as Sweden's SE Banken, were hemorrhaging red ink, and seeking state handouts in order to survive. But only six months later, SE Banken told the Swedish government it no longer needed state aid, and its shares surged more than tenfold on the Stockholm stock exchange.

Although not all banks are staging such dramatic turnarounds, Scandinavian banks are managing to pull out of their crisis through a combination of government guarantees and outright bailouts, plus improving economic conditions, helped in large part by a sharp depreciation of the local currencies against those of their European neighbors.

The 1990s banking shakeout, which has left some banks in state hands and others out of business, has caused survivors to undertake restructurings that observers believe will ultimately lead to a stronger and more competitive industry.

"In a lot of respects, we have got the worst behind us," said Hakan Persson, a financial analyst at Svenska Handelsbanken in Stockholm. He points to increasing industrial production and exports.

"Last year, 75 to 90 percent of the credit losses at Swedish banks were related to property loans," Mr. Persson said. Although the property market is not improving markedly, "that percentage is starting to come down," he said.

"The economies themselves are still in trouble, but at least the prospects are looking brighter," said Keith Baird, an analyst at Kleinwort Benson in London. He sees a return to growth next year in Norway and the following year in Sweden and Finland.

INVESTOR confidence in the banks is starting to come back, Mr. Baird added. "We are now past the point of failure. All the banks that were going to fail have done so. The ones that haven't are going to survive, and investors are now looking to the next level of profitability."

In the 1980s, many of the Scandinavian economies unwittingly stoked up a huge bubble economy through speculative lending, especially in real estate. Debt was encouraged by allowing consumers and companies to deduct interest payments from their taxes. High inflation created negative real interest rates, meaning it was cheaper to borrow to buy something now than to save money and buy it with cash later, and meaning that banks' profits evaporated.

At the same time, banking deregulation allowed banks to lend on looser criteria.

In Norway, where the banking crisis hit first, recovery is also coming first. The banking troubles were handled by, in effect, the nationalization of the banking industry. Den norske bank is now 56.6 percent owned by the state, for instance. But through more prudent banking and lower interest rates, it managed to halve its losses in 1992 and returned to a profit in the first half of this year.

The state's takeover of the Norwegian banking industry is about to be reversed, with the relisting of the shares as early as next year. Analysts caution, however, that much needs to be decided about how the shares of the banks will be reoffered to the public.

"It's a very technical and complex procedure," said Mr. Persson, "and what the effect will be on the previous shareholders is still very vague."

IN Sweden, where the government provided the equivalent of billions of dollars of guarantees for the major banks in order to stave off bankruptcy earlier this year, profits are already returning, as early as this year for such banks as SE Banken and Handelsbanken. Nordbanken, which was taken over by the state, also went from loss to profit in the first half of this year.

"The external conditions changed much quicker than we had expected," Bjorn Svedberg, the chief executive of SE Banken, told shareholders in announcing the company's turnaround this summer.

In Finland, where the state stepped in to provide guarantees for struggling banks but did not take control of them, the loss cycle is still continuing, however. "We expect to see profits there only in 1995," said Mr. Persson.

In Denmark, the only Scandinavian country that is a member of the EC, the situation has been different. The industry has essentially been in crisis since 1984, Mr. Persson said, but "the losses have also been spread over 10 years." He added: "Now, there is an improvement in business and I am recommending Danish banks."

LAURA COLBY is on the staff of the International Herald Tribune.

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Global Banking and Finance / A Special Report

Gremlins Lurk in Shadows of U.K. Big 4 Recovery

By Aline Sullivan

LONDON — British banks, among the worst hit victims of economic recession last year, are recovering fast. But some analysts worry that the short-term profit resurgence masks deeper structural problems within the U.K. banking industry.

Banking shares are outperforming the FTSE-100 index of British shares for the first time in two decades. Shares in the four major retail banks, Barclays, National Westminster, Lloyds and Midland (now owned by HSBC Holdings of Hong Kong), have soared since the beginning of the year, mostly thanks to solid first-half earnings and reduced bad debt provisions.

Richard Coleman, banking analyst at stockbroker James Capel in London, gave the four leading banks credit for having reduced their costs during the recession. The recent share price gains have been justified, he said. But he cautioned that competition from smaller, nimbler entrants to the retail banking market could hit at the heart of the Big Four's profitability.

"The banks have cut costs, but they have cut the quality of the service they are providing as well," said Mr. Coleman. "The ones that will succeed in the future are those which can offer a quality service at low cost. It is difficult to see which of the big banks will be able to do that."

The way to square this circle, Mr. Coleman said, is through information technology. Bank of Scotland, which is a fraction of the size of Lloyds, the smallest of the Big Four, offers its retail banking clients a quick, efficient service at low cost through well-targeted computerization, he said.

Another potential competitive threat comes from the building societies (savings and loan associations), which are pushing for a bigger share of the retail banking market.

Paradoxically, many of these building societies were less affected than the banks by the sharp downturn in real estate values that accompanied Britain's recession. They prudently insured themselves against mortgage defaulters, whereas the banks carried the risk of bad debts on loans to big developers and small borrowers on their own books.

The banks remain burdened by these bad debt provisions. Together, the four leading

banks reserved more than £2 billion (\$3 billion) in the first half of 1993 against bad or doubtful debts, much of it caused by loans to big real estate companies.

But things are at last looking up. "The peak provisions have passed," said Nick Collier, a British banking analyst at Morgan Stanley International in London. "We are finally seeing some action in the commercial property market and the residential market is also picking up although there won't be any huge increases."

For the time being, the banks are being helped by robust profits from their investment banking operations. This is particularly true of Barclays, whose Barclays de Zoete Wedd investment banking subsidiary was largely responsible for transforming a £242 million pretax loss last year into a £335 million profit in the first half of this year, the best improvement of the Big Four.

The problems facing Barclays' rival Lloyds Bank are different. Ever since it failed to win control of Midland in 1991, Lloyds has needed an acquisition, analysts say. They claim the bank shed too much business in the late 1980s and now risks being squeezed out of some markets by its bigger rivals.

A major beneficiary of this process, ironically, would be Midland, which acquired valuable access to fast-growing Far Eastern markets when it was taken over by HSBC Holdings. Midland is a favorite of analysts for this reason.

All the leading U.K. banks are trying to boost profits through the sale of savings and insurance products and through niche markets, like private banking and offshore fund management. But analysts caution that these efforts may not be enough to offset the damage competitors are expected to inflict as the economy improves.

"There is no doubt that profitability is recovering pretty fast," said Ian McEwan, a banking analyst at Merrill Lynch in London. "We should see returns on equity of over 20 percent in the next few years. But the question is whether that is sustainable. Returns like that will make it very tempting for outsiders to come in and compete."

Norrie Morrison, a banking analyst at London stockbroker Kleinwort Benson Securities, agreed that Britain's big banks have addressed many of their problems by cutting costs and writing off bad and doubtful debts. But economic recovery has been sporadic and

demand for credit remains depressed. Competition, both domestic and foreign, could restrict profit margins in the next few years, he said.

"The cloud on the horizon is that in about two or three years there will be too much capital chasing too little business," said Mr. Morrison. "It isn't clear where the long-term growth is going to come from."

The key question will be whether U.K. banks manage to put the harsh lessons of Britain's deepest recession since World War II to good use. Many analysts doubt the banks' ability to learn from their mistakes.

"I don't believe that banks will make fewer mistakes in an environment of low growth and low inflation," said Mr. Coleman of James Capel. "There will be a substantial oversupply of capacity and the environment will be very hostile. So far, the banks have only tinkered around with cost cuts in response to recession. None of the banks has really come to terms yet with the changes that will be necessary to survive."

ALINE SULLIVAN is a financial journalist based in London.



Annet Nostitz of Landesbank

East German Bankers Are Quick Study

By Miriam Widman

BERLIN — Annette Richter and Annet Nostitz agree. Learning about stocks and options was the toughest part, but switching from a communist to a capitalist banking system, while not easy, isn't as rough as you might think.

The two young women, while still an exception, are among the East Germans who are starting to make it in the Western banking world. Brought up with Marxism and Leninism in a world where there was essentially one interest rate and no stock market, these two women have begun the proverbial climb up the corporate ladder and made it to branch manager at their respective banks.

"It was very difficult, especially the securities area and credit," said Mrs. Nostitz, branch director at the Berliner Sparkasse's Hellersdorf branch in East Berlin. "In the GDR (East Germany), we had some forms of credit, like credit when you got married or layaway credit. But there was never anything to buy."

Mrs. Richter, the 33-year director of the Commerzbank's branch in Eisenhüttenstadt, did not have so much trouble with credit as she did with securities. "I just find stocks very difficult to understand and options are worse," she admitted. But there are experts at their respective banks they can call on for help. Both directors also said that while East Germans are becoming increasingly interested in investing in stocks and securities, demand remains limited.

To date, the heaviest demand from East German banking customers is for credit to either set up a business, purchase a car, house or consumer durable goods, like washing machines, or for safe investments, like fixed-rate securities. And, the two bankers know, with total unemployment running in some areas at 50 percent, that East German customers count their pennings and are quick to switch banks when bank charges are too high.

Eisenhüttenstadt is probably a worst-case example. The town, which literally translates to "Iron Works City," had essentially one employer in GDR days — the steel works. In the 1950s, the East German Communist government decided to erect a steel plant in this rural town on the border with Poland. It employed 12,000 of the 50,000 people who eventually moved there. The antiquated factory has been up for privatization for the last three years, and since then, only one of four workers at the plant still has a job.

"My people count every pfennig," said Mrs. Richter, from her newly renovated offices in the Old Town, one of the few pleasant parts of the city. "A half a percent makes a big difference, and they'll change the bank."

While the bankers agree that being East German gives them an advantage over West Germans working in East German offices, bank management has not always seen it that way. The two women are more the exception than the rule. Mrs. Nostitz worked as a branch manager for the Sparkasse in GDR days. She and others were put back a level to assistant manager when the Landesbank Berlin, which owns the Berliner Sparkasse, took over. West Berliners who were No. 2 at their branches were then sent to the East to take over as directors. She managed to work her way back to branch director, but only 10 out of 80 former managers did.

Yet there is an understanding among the newcomers that things take time. Jens Suetke, a regional manager at the bank, said assistant directors essentially have the same responsibilities as directors.

IN contrast to the West, women are the rising stars at East German banks. This is because women hold some 70 percent of the jobs in East German banking. The old GDR system also made it easier for working women, as child daycare was widely available. Both Mrs. Richter and Mrs. Nostitz are married with two children, and now, under the Western system, they have to juggle their schedules considerably more.

Yet, as probably could be expected, the fastest rising East German is a man. Edgar Most, a former bank director in the East German State Bank, has likely achieved the highest position in West German banking for an East German. As a director of the Deutsche Bank AG's Berlin office, his position is just one level below the board of directors and he is the only East German among six directors at the Berlin office of the bank. Many East Germans who had worked with him are now at the Deutsche Bank and a few have reached management positions.

Mr. Most admits that his position at the East German government bank and detailed knowledge of the 29 East German conglomerates put him in a good position for a key job. But he notes that at the management level, there is not that much difference between East and West.

"In the old system, society was the center point, and now it's the bank," he said. A former Communist Party member, Mr. Most notes that party membership was a requirement for his previous job. But he said: "The old boy network is actually much worse in the West than it was in the East."

"In the end, the banking business is about personal contacts, and in that respect, there's no difference between East and West. This world isn't all that foreign."

MIRIAM WIDMAN is a journalist based in Berlin.

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Global Banking and Finance / A Special Report

Hong Kong Licks Chops Over China's Potential

By Kevin Murphy

HONG KONG — No one doubts China must raise an enormous amount of capital to keep its high-growth, reform-or-regress economy on track.

China's abandonment of central planning in favor of a move toward a market economy has awakened an insatiable appetite for finance capital as provinces and municipalities around the country assess their inadequate infrastructure and undercapitalized businesses of every size scramble to survive.

Take China's telecommunications expansion program, for example, just one of several ambitious projects Beijing has earmarked as a priority area. Plans to quadruple the number of telephones in service to around 80 million by the year 2000 could cost up to \$100 billion, according to Salomon Brothers research, which believes half the amount must be in foreign currency.

Whether foreign equity investment in such strategic areas or not, enormous opportunities exist in channeling funds into this area, a scenario likely to be repeated sector by sector across the country.

"One would have to think there is a hell of a banking play developing here," said Emano von Pfeil, an economist with S. G. Warburg Securities, of the prospects for profit in financing China's development.

"We're dealing with high savings rates in the region and strong growth in China. What more does a banker want?" Hong Kong, home to a stock market thoroughly open to international investment and long a conduit for overseas Chinese funds destined for the motherland, has a headstart in staking a claim as China's leading financial center.

Analysts believe 70 percent of China's foreign investment to date has come from Hong Kong and more is likely to flow as the estimated 55 million Chinese scattered through an increasingly prosperous Asia, utilize cultural

and family links to chase opportunities on the mainland.

"We will see increased Asian self-reliance," said Mr. von Pfeil, echoing a belief that Asia's investment exporting economies will find their best returns within the region.

Hong Kong will also retain an edge over rival money centers through its ability to provide expertise as well as funds to China. "People tend to underestimate China's ability to finance much of its own needs as most developing countries do with accumulated savings," said Andrew Freris, chief regional economist with Salomon Brothers Hong Kong Ltd.

"Where Hong Kong can help is through helping China in its efforts to reorganize its entire banking system." He was speaking of a high priority campaign recently initiated by Beijing to regain control over a runaway economy.

But a number of challenges to Hong Kong's strong position exist.

WHILE Beijing knows it needs Hong Kong as an outpost more than ever, it does not trust the soon-to-be former British colony completely either. Shanghai nurses its own aspirations to become a financial market and is growing rapidly. And rival international banking and financial centers are unlikely to allow Hong Kong, if it can indeed muster the financial muscle, an unimpeded run at the spoils.

"Once transport and communications improve, Shanghai will make sense as a North Asian regional business center," said Robert McBain, executive director of NatWest Capital Markets in Hong Kong.

"The new city developing in Pudong (across the river from old Shanghai) is for real," said Mr. McBain. "Many bank operations, including the 50 or so foreign banks with a presence in Shanghai already, will be there in five years."

The listing on the Hong Kong exchange of the first of nine blue chip Chinese industrial companies demonstrates the important role Beijing ascribes to Hong Kong and the practical difficulties that can crop up.

Companies like Shanghai Petrochemical and Tsingtao Brewery needed more foreign currency than listing on fledgling domestic

exchanges in Shanghai or Shenzhen could provide. At the same time, a decision to turn to Hong Kong was meant as a statement of confidence in its role as an international financial center.

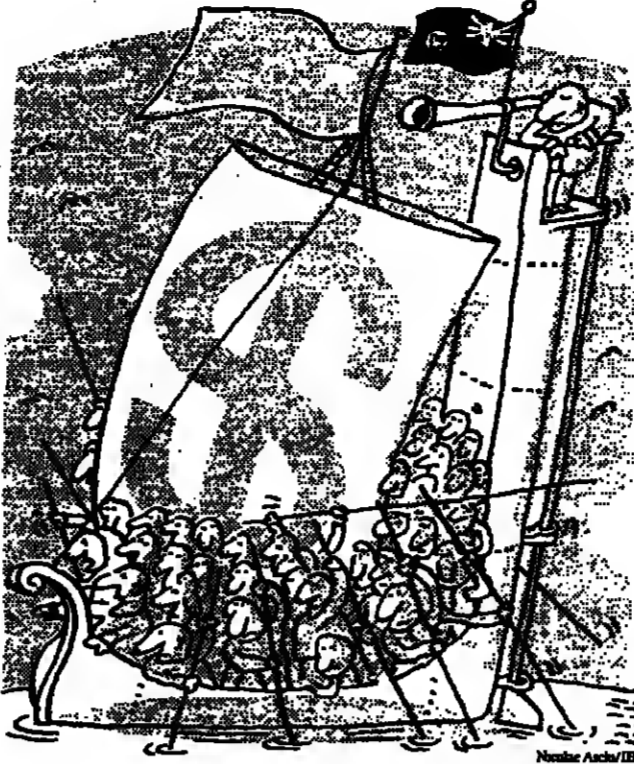
"The plan to list nine companies was announced during the early stages of the political row with the British government over the territory's political future," said a recent Warburg report. "China has stuck with the plan despite the row."

However, the Shanghai Petrochemical issue highlighted concerns that the Hong Kong stock market might not be big enough to handle the job.

Where many China-related initial public offerings attracted massive oversubscriptions, Shanghai Petrochemical was only oversubscribed by 1.7 times, a result of global coordinator Merrill Lynch and Hong Kong lead manager Peregrine Capital Ltd. taking up 222.8 million shares each of the 840 million to be listed in Hong Kong.

Senior stock market regulators in Beijing expressed disappointment with the Hong Kong stock market at the time, suggesting it had "too short-term" a view to support large industrial stocks.

But if Hong Kong is judged too small or too shortsighted to support big mainland issues, other financial centers and foreign-based securities houses appear willing to take on the job. "Chinese capital raisers are reaching out to more markets all the time," said Mr. McBain of a trend that has seen "China plays" listed directly in New York, London, Sydney and in a novel listing, Dublin, markets where they generally can list at higher price-to-earnings ratios



than can be achieved at home or in Hong Kong.

In a new-issue harbinger, Hong Kong-based property group New World Development is launching a \$200 million China investment holding company to be listed in Dublin with a portfolio of its mainland projects.

A rising wave of U.S. money earmarked for mutual funds will find its way into China plays in coming years if the American groups, which have greatly expanded their China ambitions, have a say in the matter. The United States and Europe remain the favored destination of new debt offerings and will for some time, according to Patrick Thomas, managing director of Oaktree Financial Services in Hong Kong.

"There is absolutely no doubt Asia has moved from an area of speculative investment to in-

creased net worth to preservation of capital," said Mr. Thomas.

Hong Kong and Asia in general have long favored equities for investment, only recently developing an appetite for fixed-interest debt. But trail-blazing work by the Asian Development Bank to create "dragon bonds," bonds in non-local currencies sold and listed in Asian markets outside of Japan, is being followed by other issuers.

A recent dragon bond issuer, Rabobank Nederland, said it planned to invest a share of proceeds from a \$200 million offering in a joint venture bank in Shanghai in a development that will be watched closely by other large international groups eyeing the China market.

KEVIN MURPHY reports from Hong Kong for the International Herald Tribune.

Going Beyond the Pork Bellies Futures and Options Market Expands Net

By Martin Baker

PARIS — Go to Chicago, and they'll sell you the sky. And if that concept appears improbably airy, wait for the good part: What you'd be buying wouldn't be today's sky, but the sky at some future date. While this may all sound like a scam to rank with selling the Brooklyn Bridge to tourists, it is, in fact, no more than the latest evidence of the vigor and innovative verve of traded futures and options, one of the world's most important financial markets.

Since March, the Chicago Board of Trade (CBOT), one of the largest futures and options markets, has been offering contracts based on the sulfur dioxide emission allowance program developed by the U.S. Environmental Protection Agency under the 1990 Clean Air Act. It is, proclaims the CBOT, "the first step toward creating a futures market in clean air, one of the world's most precious commodities."

The somewhat breathtaking cheesiness of the newer contracts on the world's futures and options (collectively known as derivatives) markets should be set against the history of the derivatives industry. Nineteenth-century merchants needed to cover themselves against fluctuations in the supply of key commodities. Out of this need the derivatives market was born, a market in instruments providing rights and obligations to buy and sell at fixed future prices. Chicago, the home of the CBOT and the Chicago Mercantile Exchange, has seen trading in futures and options contracts based on such commodities as coffee and pork bellies for more than 100 years.

But the market has evolved greatly since then, as have those who trade in it, says Micky St. Aldwyn, London-based senior manager for international business development at international commodities trader and fund management firm, E.D. & F. Man.

"Originally, we were a physical commodities trader, assuming risks that others were not prepared to take," he said. "We used derivatives to lay off a portion of that risk. Then we used the markets to trade our own account, and ultimately felt able to advise others on derivatives investing."

The firm, which has 36 offices around the world, runs a well-known series of commodities funds, the Mint funds. "Assets under management have grown by 40 percent per annum for the past decade," said Mr. St. Aldwyn.

That type of growth is quite usual in an industry that has expanded massively in recent years. The

CBOT's track record is typical. The exchange saw almost 100 million contracts traded over the year to the beginning of August, an increase of 11.2 percent on the preceding year. The CBOT is the world's biggest exchange on this measure, which is "the only true measure of a futures and options exchange," according to CBOT Chairman Patrick H. Arbor.

But if you take the underlying value of the contracts traded, the Chicago Mercantile Exchange (CME) far outstrips the CBOT. According to CME statistics, it traded contracts with more than \$80 billion in value for 1992, compared to less than \$30 billion in value for the CBOT that year. Whatever the criterion for growth, the two Chicago giants are both thriving.

The growth is set to continue, according to Dick Mikahumias, vice president of marketing at the American Stock Exchange (Amex) in New York: "The derivatives industry will continue to boom, because of the demand for products from both individual and institutional investors." Amex is one of the most innovative exchanges, and has devised and launched a series of new products over the past years. Mr. Mikahumias, however, reports a significant increase in volume on one of the more "plain vanilla"-type products. Trade in equity option contracts is up more than 20 percent on last year, he said.

ASIDE from its liquidity and subsequent low margin costs, the derivatives market has another important attraction for investors: It is international. "I can trade pretty much when, where and with whom I want," said Frank Vivier, joint managing director of the French asset management arm of the giant Japanese bank, Daiwa. "The global derivatives market is not constrained by time or place."

Central to the globalization of the market has been the much-delayed and enormously costly evolution of GLOBEX, an electronic trading system for futures and options that offers products from three exchanges — the CME, CBOT and the MATIF in Paris. Developed by Reuters in conjunction with the U.S. exchanges, GLOBEX was originally scheduled to come on-line more than two years before its inception in June 1992.

The system has terminals in Chicago, Paris, London, New York, Tokyo, Hong Kong and Geneva, and operates 12 hours per day, between 6 A.M. and 6 P.M. Chicago time. GLOBEX traded its two millionth contract this summer, a fact which underlined "the system's utility to users worldwide," according to Jack Sander, chairman of both the CME and GLOBEX.



Source: Deutsche Bank Group International Herald Tribune

In Japan, Fears Ebb

Continued from page 11

ber, midpoint of the fiscal year, analysts expect the total to exceed 14 trillion yen (\$134 billion). The figure is up more than 10 percent from six months earlier, reflecting continued high bankruptcies in the real-estate sector and growing insolvencies among small and medium-sized firms that have been pummeled by the yen's surge of nearly 20 percent against the dollar so far this year.

But few analysts take these public figures at face value, a major reason being that many restructured loans are not included. Rather than have a client declare bankruptcy and face full disclosure of losses, banks, often at government behest, are reducing interest rates to near nothing or lengthening repayment schedules. While restructuring of this sort deprive banks of interest on their loans, they avoid the public relations cost of reporting nonperforming assets.

"The numbers they're giving are still way too low," said Betsy Daniels, an analyst at Morgan Stanley & Co. She estimates that the true extent of the bad debt is likely to peak a year from now at some \$8 trillion yen (\$364 billion). Of this amount, about half eventually will have to be written off, she said.

The Bank of Japan believes private-sector estimates are too high, putting the actual amount well below 30 trillion yen. The amount of bad debts will also peak this September, not a year from now, Japanese bankers say.

Whatever the true extent, which given lax disclosure rules, will remain unclear, Japan's biggest banks are rich enough to absorb the losses. But unlike American banks, which confronted a similar situation during the savings-and-loan crisis, the Japanese are taking a gradualist approach to writing off their nonperforming assets.

Although speedy action would engender losses, it would be the quickest way to restore balance sheets to health. In Japan, however, it remains taboo for a major bank to report a loss; none has done so since the end of World War II.

forming assets as quickly as possible within three years," a director of Dai-ichi Kangyo Bank said, declining to be identified. "But we can't go so fast as to report a loss, because we need profits in order to pay a dividend."

The result, analysts say, is that it will likely take five years for banks to shore up their balance sheets.

Growth in lending, which fell to just 0.8 percent in August from the year before, has been declining since 1990. It has been contracting in real terms even as money supply growth begins to accelerate, said Kenneth S. Courtis, strategist and chief economist at Deutsche Bank Capital Markets (Asia). "Small companies that lack access to the stock market are being squeezed to the wall," he said.

The cautious lending stance reflects not only the burden of bad loans, but also the fragility of many existing loans. Japanese bankruptcies continued to climb in August, rising 1.8 percent from July to 1,189 cases with total debts of 418.89 billion yen. For the first eight months of the year, bankruptcy debt totaled 4.09 trillion yen, down slightly from 4.6 trillion yen for the same period a year earlier.

THE DKB director said low lending growth was primarily the result of weak demand and poorer business prospects given the recession. But he conceded that loan officers had become more cautious.

For now, tighter reins on credit are mitigated by relatively weak demand for loans.

A slowdown in bank lending, however, could delay recovery once it comes, and contribute to a polarization of the economy into strong, large companies capable of independent fund raising, and weaker, smaller companies unable to get the funds they need. Ironically, it is these companies that are in the greatest need of restructuring due to the yen's appreciation and the gradual, but inevitable trend toward deregulation.

STEVEN BRULL is the International Herald Tribune's correspondent in Tokyo.

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Success of Latin Bond Issues Inspires Rest of Third World

By Conrad de Aenlle

PARIS—Just a decade ago, Latin American indebtedness nearly ruined several economies and a few big banks. Since then, the debt has been successfully repackaged as "Brady bonds," the economies have been successfully repackaged as enclaves of capitalism, and it is again respectable for the Third World to go into hock.

Developing countries throughout Latin America are issuing bonds on international markets to raise funds for badly needed modernization programs. Their enthusiastic reception has encouraged governments in Asia, Africa and Eastern Europe to do the same. And with the continued expansion of private enterprise across the poorer countries, corporate issuers are increasingly tapping the markets, as well.

The most recent data compiled by the Organization for Economic Cooperation and Development shows a near doubling in the issuance of bonds from developing countries in the first four months of this year, to \$8.2 billion from \$4.3 billion in that period of 1992. The full-year total for 1992 of \$14 billion was in turn substantially more than the \$8.3 billion figure for 1991 and \$4.5 billion for 1990.

Latin America continues to represent more than half of the market in new issues, although East European states are becoming a bigger presence, having issued bonds worth \$1.8 billion this year through April, compared with \$1.3 billion for all of last year.

Until the late 1980s, such new offerings were rare. What opened the market was a plan devised in 1989 by Nicholas Brady, who was then the U.S. Treasury secretary, to securitize the Third World bank debt of the early 1980s. It worked, and these Brady bonds continue to make up a big chunk of emerging market debt.

While the bonds still sell below face

value, their prices have risen considerably as the countries that adopted the plan, mostly in Latin America, continue to convert their once-moribund planned economies into capitalist free-market democracies. They are also an inspiration to other governments, notably in Eastern Europe, which are expected to give the Brady plan a whirl in the near future.

Sovereign figures big in the market for new issues, too, but it is coming to be dominated by corporate borrowers, especially in the better-established economies of Latin America. Of \$4.6 billion raised this year in 27 Mexican issues, a J.P. Morgan report notes, those of banks and other companies account for three-fourths of the volume.

Selling the bonds has been no trouble at all, with funds that specialize in emerging-market debt eager to snap up just about anything offered to them. Assets in such funds total \$3.5 billion, according to the fund research firm Lipper Analytical Services. Even mainstream funds, facing shrinking yields from traditional investments as interest rates fall nearly everywhere, have committed large sums to emerging markets, although numbers are hard to come by.

By most accounts, borrowers are putting the money to good use.

"A lot of it is going into infrastructure buildup, things that have been ignored in Latin America for the past decade," notes Elizabeth Morrissey, managing partner of Kleiman International Consultants, a specialist in emerging markets. Corporations are using the proceeds for telecommunications and computer systems, "which they have had no access to because they've had no funds."

Raising finance in the old days—three or four years ago—was a lot more difficult and less rewarding undertaking.

"Most companies in Latin America either borrowed domestically at prohibitively high rates or else they used retained

earnings, which means they couldn't grow very fast," said Ashwin Vasani, a portfolio manager at Oppenheimer Management. "You can find amazing stories in which companies are significantly underleveraged."

"Leverage ratios are beginning to look more like developed markets. Anybody's willingness to take on debt is a function of what they expect the future to look like. The future was uncertain in Latin America, so they weren't very willing to take on debt."

The uncertainty has diminished, Ms. Morrissey thinks that buying Mexican

agencies, Mexico is seen making the leap if NAFTA makes it through Congress.

"If NAFTA is approved, as we continue to expect, there is a high likelihood that Mexico's sovereign Eurobond spreads over U.S. Treasuries will narrow and a reasonable probability that Mexico's sovereign ratings will be raised to investment grade in the next one to two years," J.P. Morgan's analysts say.

That would be good news for corporate borrowers. It is common practice to rate government debt higher than that of businesses, even if the businesses seem sounder. Not fair, Ms. Morrissey says. Her argument is that "in a growing economy, corporations can take advantage of better circumstances before the government."

Mr. Vasani does not see it that way: "The history has been that when the sovereign in Latin America has run into balance-of-payment problems—when the sovereign has not had dollars available to pay external debt—it has prevented corporations from paying their debt obligations. I don't want to paint a gloomy picture, but if push came to shove, the government would always take care of its interests before corporates. But I don't believe there's a large possibility that will happen."

Indeed, he pointed out that since 1963 there have been only four defaults on Eurobonds issued by Latin American companies. "A default will directly affect your credit rating and shut you out of the Eurobond market for years to come. Anything that's been restructured, they rate one notch lower."

A default or other "catastrophe" now would slow the flow of money into these markets significantly, he said, but there is nothing like that looming. What could turn the tap a bit lower and push up rates is something more innocuous: a reversal of the trend to lower American government rates. "As U.S. yields rise, making Treasuries more attractive for funds that are yield hungry, U.S. debt becomes more competitive," Mr. Vasani said. "Latin

countries are less likely to borrow because of the higher yields they have to pay."

For now, though, borrowing continues apace, and it has spread to a number of new markets. "Eurobonds are coming out of just about everywhere," said Ms. Morrissey. "We've seen just about every Brazilian bank in the last six months or so, Turkey, the Philippines, a number of Indian companies [issued issues] last year and are gearing up to do it again. In Eastern Europe there have been a couple of sovereign bond issues."

It is hard to fault their timing, with demand high and rates lower than have ever been seen in most of those places. "At this point, if I were a developing nation corporation, I would try to tap the market now," said Ms. Morrissey. "Obviously, the appetite is there."

As countries develop more fiscal discipline, they are finding they need no longer issue paper denominated only in hard currency.

"Investing in emerging markets has gone through a series of phases and trends," Ms. Morrissey observed. "The next is local-currency bonds and money market [instruments]." Notable issuers include governments or companies in Poland, Turkey, Egypt, Morocco and Peru. Bonds come either with very high fixed rates to provide a return after inflation, or else they are priced as a set percentage above the inflation rate during their lifetime.

She concedes that Third World governments had a miserable record on debt repayment not that long ago, but this time around, she says, they do not have much choice.

"They can't do a whole lot of backtracking; they can't totally go in and blow the budget; they'd be cut off from everywhere. As international confidence in these economies continues to build, we'll see happen everywhere else what happened in Mexico."

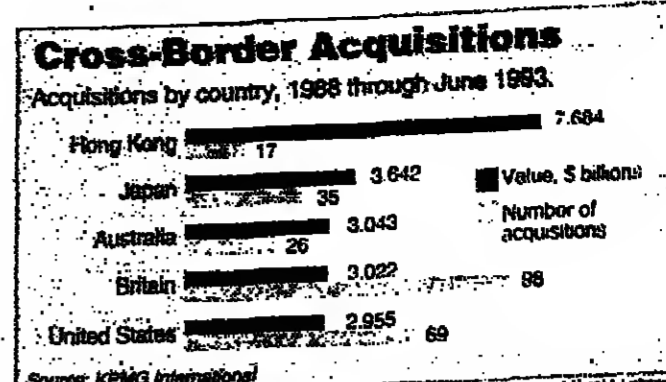
Brady bonds continue to make up a big chunk of emerging market debt.

debt "is not much riskier than buying European debt" and that "as these countries stick to their economic program and continue to grow domestically, we're going to see more of it." As for political risk, she said: "It's there, but it's in lots of other places. In Europe, how many people support government programs?"

But accidents happen. What if the North American Free Trade Agreement is rejected by the American Congress?

"First, the U.S. gets hurt more than Mexico," she answered. "Mexico is building trade with its southern neighbors and the Pacific Rim. Really, what are they going to lose? They haven't put all their eggs in one basket. Those economies are probably going to grow faster than the U.S. economy anyway."

For all the glowing reports, Chile and Colombia are the only major emerging economies with bonds deemed investment grade by Western credit-rating



Bank Mega-Mergers

Continued from page 11

80 branches will have been cut, with 450 remaining.

Mr. Tobin said that he, too, expected the U.S. banking industry to keep riding the merger wave. "Opportunities for revenue growth from normal banking business are somewhat limited," he said. "As a consequence, many banks will turn to acquisitions."

Elison Clary, a spokesman for NationsBank, said the merger that created that bank came off with few hitches. He added that NationsBank is currently in the process of acquiring MNC Financial Inc., which operates 25 banking centers in Maryland, Virginia, and

Privatization Means Freedom in France

Continued from page 11

from 14 percent to as low as 8 percent.

For the insurance sector, privatization is expected to aid in restructuring and international expansion efforts, by permitting the major insurers to make alliances through capital exchanges. As a result, the executives of the big groups say they will be able to position their companies for leading roles in a borderless European insurance market they envision after the turn of the century.

For UAP, privatization will present a chance to resolve a conflict with Compagnie Financière de Suez over Vieoite-Colonia, a French-German insurance merger in which UAP has a one-third stake. UAP has tried to shake loose Colonia, the No. 2 German insurer, but could not afford the cash terms demanded by majority owner, Suez. With shares to contribute after privatization, the way could open for a deal that would allow Colonia and UAP to join forces.

AGF, meanwhile, hopes to put together an alliance with Germany's AMB, in which it recently increased its holding to 33 percent.

The three big companies, which together account for a quarter of the French insurance market, will market their shares to investors by

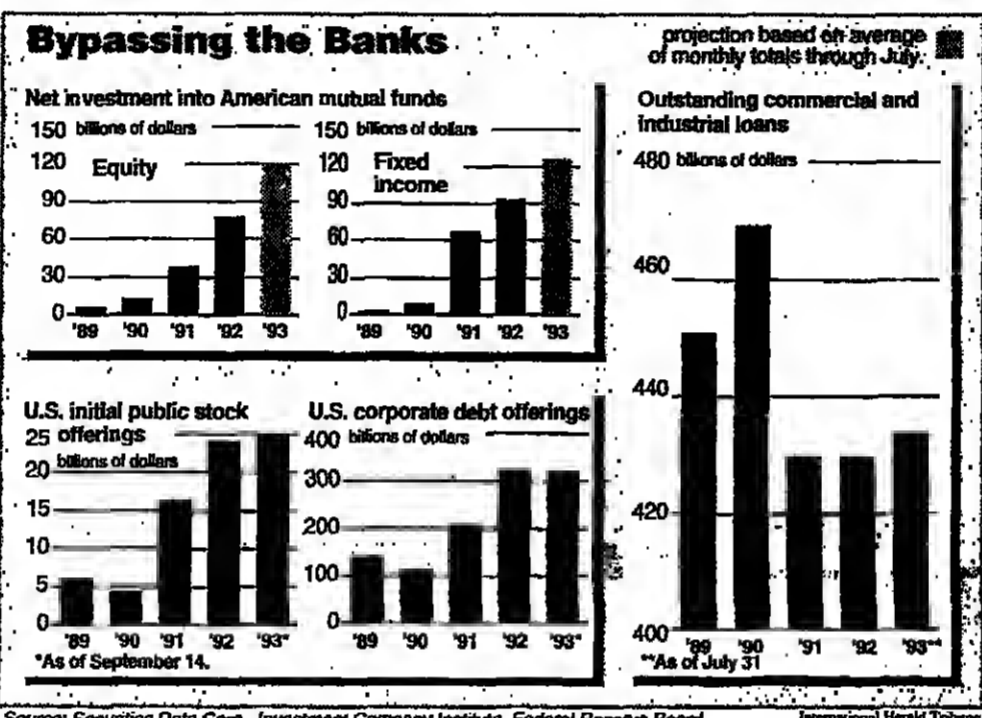
Companies Shopping Abroad

Continued from page 11

to far-flung markets. Some of these are quite exotic. Investors in wealthier countries who commit funds to so-called emerging markets can diversify their portfolios while helping governments and businesses in the Third World to expand and flourish. And as these markets gain acceptance, still smaller African, Asian and Latin American bourses are opening to the rest of the world; these are known as "pre-emerging" markets.

Companies have benefited tremendously from the financing opportunities made available by the more efficient middlemen competing with banks. "This has been a real good thing for corporations," commented Hugh Johnson, chief economist at First Albany Corp. "What they've been able to do is clean up their act; they've been able to raise money in the markets and pay down short-term debt and spend a little money on technology to become far more cost-effective and efficient."

Companies borrowed heavily from banks during the 1980s to grow their businesses and then had to start paying the money back. As they float record amounts of bond issues to retire



cess to capital markets in a way they've never been before."

But what happens when the crank stops? After all, stocks are trading at valuations never before seen, meaning shareholders are assuming significant expansion of earnings. And bond traders have factored in a long period of stable growth with low inflation.

Many observers take these developments, and such phenomena as the love affair with foreign, especially emerging, markets, as signs of reckless euphoria.

Even if the markets take a big

deflationary pressure?" he asked. "We have been muddling along. If this happens... companies won't be able to pay money to reduce debt, they won't be able to refinance old debt at lower cost; companies won't be able to raise money in the stock and bond markets to reduce debt... It would derail the process of deleveraging America, and I can't think of worse news."

CONRAD DE AENLLE is a Paris-based financial and economics writer.

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as the central bank of the country, in charge of monetary policy, issues regularly long-term securities in the international capital markets since 1971, named in 1993 "European sovereign borrower of the Year" (World Best Credits - Euromoney).

ISSUES in 1993:

JPY	DEM	CHF
JPY 30,000 m due 1998	DEM 600 m due 2000	CHF 100 m due 2000
JPY 40,000 m due 1998	DEM 1 bn due 2000	
JPY 50,000 m due 2000	DEM 1 bn due 2003	
JPY 50,000 m due 1999		

DAIWA SECURITIES BAYERISCHE LANDESBANK SCHWEIZERISCHE V.B.
DEUTSCHE BANK

USD GBP

USD 150 m due 1998 GBP 100 m due 2003

BANKERS TRUST J.P.MORGAN

- About 90% of funds, raised on the international capital market were secured from private sources,
- Economic and political stability make the country attractive for direct foreign investments, reaching USD 5.5 billion by summer 1993,
- Foreign exchange reserves held by the National Bank of Hungary are around USD 5.5 billion, corresponding to six months of imports,
- The two-tier banking system, re-established six years ago, offers wide range of financial services to businesses both at home and abroad.

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OPEC Ministers Aim to Impose Output Ceiling

GENEVA — Saudi Arabia, the world's largest oil producer, came under pressure Monday to freeze its pumping of crude oil after OPEC agreed to general limits on production in a desperate attempt to pull prices back up.

Iran Says It Sought Saudi Help

GENEVA — Iran said Monday that President Hashemi Rafsanjani had telephoned King Fahd of Saudi Arabia to obtain the king's support for higher oil prices and closer cooperation.

A Call to Defend the EC Ramparts
Belgium Asks for Protection of Airline Industry

By Tom Buerkle
BRUSSELS — European Community officials, hobbled by more than a year of monetary crises and political paralysis over plans for closer integration, tout the single market for goods and services as a permanent and unchallenged symbol of European progress.

President Jacques Delors to restore monetary stability by bringing back capital controls and allegations by French and Belgian officials that Europe's monetary upheavals were the result of an Anglo-Saxon plot, reflect a deep-seated suspicion of the market forces that European unity was supposed to unleash, analysts said.

U.S. Won't Budge on Blair House Pact

WASHINGTON — U.S. and European negotiators reported on Monday that they had agreed to resolve a dispute over reductions in farm subsidies.

Mr. Kantor said the U.S. administration had made no change in its firm decision not to reopen an agreement negotiated last year that would cut farm-export subsidies.

THE TRIB INDEX: 106.25

International Herald Tribune World Stock Index of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.

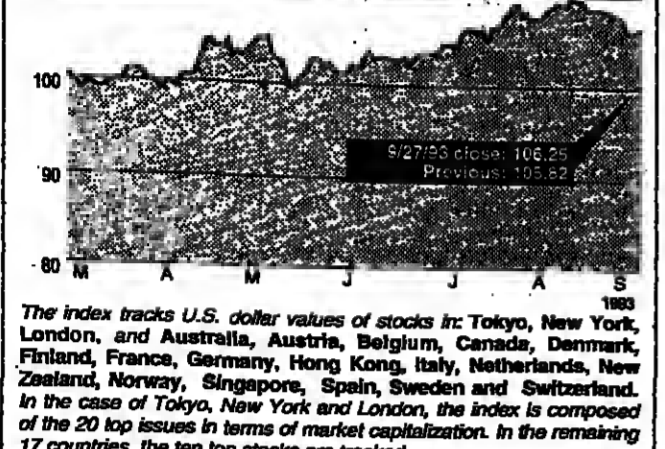


Table with 4 columns: Sector, Close, Change, % Change. Includes Energy, Utilities, Finance, Services, Capital Goods, Raw Materials, Consumer Goods, and Miscellaneous.

Thinking Ahead

Europe Needs to Fire Its Engine

By Reginald Dale
WASHINGTON — What the world needs is a rocket. Merely abandoning the trite metaphor of the locomotive, the international officials who are trying to provide lift-off for the global economy say a rocket thrust from three engines at once will be necessary.

When the European exchange-rate mechanism was still binding currencies tightly together, most of them could argue that they had to wait for the Bundesbank to act so as to keep their exchange rates in line.

Investcorp Buys Rest Of Gucci

MILAN — An Arab-backed investment bank became the sole owner Monday of the luxury-goods maker Gucci, once a symbol of Italian designer chic whose reputation had become tarnished by family feuds and tattered finances.

AP AUDEMARS PIGUET The master watchmaker. Advertisement for luxury watches with a large image of a watch and descriptive text.

CURRENCY & INTEREST RATES

Large table containing various financial data including Cross Rates, Eurocurrency Deposits, Key Money Rates, and Forward Rates for various currencies and markets.

MARKET DIARY

Bond and Oil Gains Kindle Stock Rally

Compiled by Our Staff From Dispatches NEW YORK — Stocks rose sharply Monday, boosted by soaring bond yields, rising oil shares and program trading.

The Dow Jones industrial average rose 24.59 points, to 3,567.70, and advancing issues on the New York Stock Exchange outnumbered decliners by an 11-10 ratio.

Traders cited the buoyant market as the central catalyst for the stock rally. The 30-year Treasury bond's yield tumbled to 5.95 percent from 6.05 percent on Friday as its price jumped 1/32, to 104 5/32.

The fixed-income market was energized by the Federal Reserve Board's revelation late Friday that its policy-setting Federal Open Market Committee had shifted its stance away from raising interest rates in August.

With U.S. money-market rates low, funds are flowing to higher-yielding investments, such as stocks and long-term bonds. "As long as short-term rates are at 3 percent, people that are rolling certificates of deposit are looking for other alternatives," said Steven Northern of Massachusetts Financial Services.

Oil stocks rallied on reports the Organization of Petroleum Exporting Countries agreed to a 3.45 million barrels a day, if the agreement holds, output would be cut from the current rate of 24.7 million barrels. The November crude oil contract on the New York Mercantile Exchange gained 16 cents, rising to \$17.73 a barrel.

Early program buying helped set the tone for the session. BankAmerica was the most-active New York Stock Exchange issue, down 1 at 45 1/4. Prudential Securities Inc. upgraded its rating on the second-largest U.S. banking company, but Donaldson Lufkin & Jenrette Securities removed BankAmerica from its recommended list and trimmed earnings estimates for 1993 and 1994.

International Game Technology followed up 1 at 40 1/4. The gambling industry has shown strength in recent sessions. Lotel led the over-the-counter market, rising 1 1/2 to 70 1/2, followed by Microsoft, up 2 1/4 to 82 1/4. Strong technology issues boosted the Nasdaq composite average 5.31 points, to a record 759.96. (Bloomberg Knight-Ridder, UPI, AP)

Easing Russian Tension Pushes Dollar Lower

NEW YORK — The dollar fell against major European currencies on Monday, losing strength as tensions in Russia weakened. Investors last week fled to the perceived safety of the U.S. dollar and out of German marks after President Boris N. Yeltsin of Russia disbanded the parliament.

Germany is Russia's biggest creditor, and it is seen as most vulnerable to political problems in the country. "It's more than likely there will be some form of resolution" of the Russian political standoff, said Bunt Ghosh, head of fixed-income research at Credit Suisse First Boston in London.

Now that tensions in Russia are cooling, however, people are reversing course and putting money back into marks, said Amy Smith, currency analyst at the consulting firm IDEA. Investors "are able to stand political instability as long as the military stays uninvolved," she said.

The dollar fell to 1.6383 Deutsch marks from 1.6385, to 1.4285 and to 5.6770 French francs from 5.7055. The pound rose to \$1.5139 from \$1.5085. The dollar edged up to 106.10 yen.

Earlier in London, the dollar slipped against the mark because of the evaporating Russian tensions. The dollar stood at 1.6310 DM, down from 1.6385 DM before the weekend.

"The Russian talk has been pushed into the back of dealers' minds," said Stuart Pratt, chief dealer at National Australia Bank in London. "It looks like Yeltsin has got the upper hand." (Bloomberg Knight-Ridder, Reuters)

U.S. Leaving Coffee Group

WASHINGTON — The United States announced Monday it was withdrawing from the International Coffee Organization, another blow to the world's price-supporting commodity pact. Producer nations expressed deep disappointment at the U.S. move, with Brazil saying it indicated "a certain indifference" on the part of President Bill Clinton's administration.

But the American delegate, Ralph Ives, said at a council meeting of the London-based group, "Given our decades of commitment to international cooperation in coffee, we do not take this step lightly. We simply do not have the support at home to remain in the coffee agreement."

WORLD STOCK MARKETS

Table of world stock markets including Amsterdam, Helsinki, Hong Kong, Brussels, Frankfurt, Johannesburg, London, Milan, Sao Paulo, Singapore, Zurich, and Montreal. Columns include stock names, prices, and changes.

The Dow

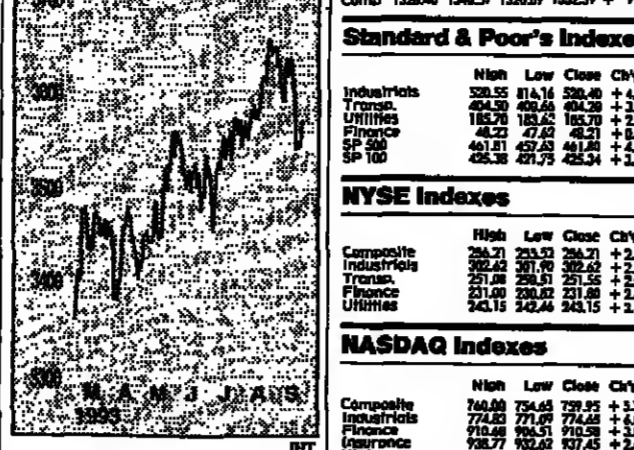


Table of Dow Jones Averages: Industrials, Chemicals, Utilities, and Total. Columns include High, Low, Close, and Change.

Table of Standard & Poor's Indexes: Industrials, Chemicals, Utilities, and Total. Columns include High, Low, Close, and Change.

Table of NYSE Most Actives: BankAmerica, American Express, and others. Columns include Volume, High, Low, Last, and Change.

Table of AMEX Most Actives: NY Time, American Express, and others. Columns include Volume, High, Low, Last, and Change.

Table of NASDAQ Most Actives: Microsoft, Intel, and others. Columns include Volume, High, Low, Last, and Change.

Table of NYSE Daily: Advanced, Unchanged, Total Issues, and New High/Low counts.

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Table of NASDAQ Daily: Advanced, Unchanged, Total Issues, and New High/Low counts.

Table of S&P 100 Index Options: Call and Put options for various months.

Table of N.Y.S.E. Odd-Lot Trading: Statistics for odd-lot trading.

Table of S&P 100 Index Options (continued): Additional call and put options.

EUROPEAN FUTURES

Table of COCOA (LCE) futures: Prices for various contract months.

Table of COFFE (LCE) futures: Prices for various contract months.

Table of WHITE SUGAR (WH) futures: Prices for various contract months.

Table of ALUMINUM (LME) futures: Prices for various contract months.

Table of NICKEL (LME) futures: Prices for various contract months.

Table of ZINC (LME) futures: Prices for various contract months.

Table of CURRENCY FUTURES: Prices for various currencies.

Table of 3-MONTH EURO DOLLARS (LIFPE): Interest rate futures.

Table of 3-MONTH EURO DOLLARS (LIFPE) (continued): Additional interest rate futures.

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Paramount: QVC Must Detail Funding

NEW YORK (UPI) — Paramount Communications Inc. said Monday it would consider QVC Network Inc.'s hostile buyout offer once QVC provided details of the bid's financing.

Martin S. Davis, the Paramount chairman, said: "The board of directors met today and took no action on the QVC proposal. Paramount will consider the QVC proposal when there is satisfactory evidence of financing." The move by Paramount steers a middle course between the rival bids from QVC, worth about \$10 billion, and Viacom Inc.'s friendly offer of about \$7.8 billion.

Barry Diller, in a letter sent to Mr. Davis over the weekend, said there was "no question" about the financing. Allen & Co., an investment firm, gave QVC its "assurance" funding was available.

William L. Koch, chairman of Kendall Square Research Corp. and winner of the 1992 America's Cup yacht race, said he planned to bid for at least part of Metro-Goldwyn-Mayer Inc., currently owned by QVC Lyonais. (UPI)

Floods Cut U.S. Home Sales in August

WASHINGTON (AP) — A four-month string of rising home sales was bypassed in August when the effects of heavy rains in the Midwest kept announced Monday.

Home buying also slowed in the South, although much less than in the Midwest, and helped offset gains in the Northeast and West. Sales of existing single-family homes nationally totaled a seasonally adjusted annual rate of 3.81 million, down 1.3 percent from 3.86 million in July, the National Association of Realtors reported.

Suit Says Apple Forced CEO Switch

NEW YORK (AP) — Apple Computer Inc. a board of directors forced John Sculley to step aside as chief executive officer in June, according to a lawsuit filed by a director who was forced out of the company.

If true, the claim would sharply counter explanations by Apple and Mr. Sculley of the transition. But it would confirm speculation in financial and technology circles of upheaval that has been worse than publicly discussed by the No. 2 maker of personal computers.

Albert A. Eisenstat, the company's former executive vice president and a director since 1985, made the claims in a lawsuit he filed last week in a California state court. He sued Apple and Michael Spindler, who succeeded Mr. Sculley as chief executive, alleging breach of contract, wrongful termination and age discrimination. He claimed he was forced out because he opposed Mr. Spindler's reorganization plans.

For the Record

Philip Morris Cos. said Monday it would invest more than \$200 million in a cigarette-manufacturing business in the former Soviet republic of Kazakhstan. (Bloomberg)

Commonwealth Edison Co. said it would refund \$1.34 billion to customers and reduce electricity rates by 6 percent to settle a six-year court battle with consumers. (Bloomberg)

Spiegel Inc. said it had formed a joint venture with Time Warner Inc. to create two new home-shopping services for cable television. (Reuters)

Weekend Box Office

LOS ANGELES — "The Good Son," starring Macaulay Culkin, opened at the top of the U.S. box office over the weekend with \$12.3 million. Following are the Top 10 moneymakers based on Friday ticket sales and estimated sales for Saturday and Sunday.

Table of weekend box office: Rank, Title, Studio, Friday Sales, Weekend Sales, Gross to Date.

U.S. FUTURES

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Stock Indexes

Table of NYSE Composite, S&P 500, and NYSE Industrial.

Table of NASDAQ Composite and NYSE Most Actives.

Table of AMEX Most Actives and NYSE Daily.

Table of AMEX Daily and NASDAQ Daily.

Table of S&P 100 Index Options and N.Y.S.E. Odd-Lot Trading.

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Commodity Indexes

Table of various commodity prices including oil, gold, and silver.

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Polish Vote Gives Investors Pause Gains by Ex-Communists May Slow Some Projects

By Jane Perlez
New York Times Service

WARSAW — For companies experienced in emerging markets, Poland, with its 40 million people and a centrist government, has proved a fertile field in the last four years.

But the success scored by former Communists in its elections Sept. 19, investment bankers and company officials say, could cool Western investors' enthusiasm and delay new commitments of capital for the immediate future.

"In the short term, it will be wait and see," said John Simpson, a director of Wasserstein Perella & Co., "and if the business climate changes dramatically, you'll see people reassess the risk." Wasserstein is a New York-based investment firm that was involved in transactions in Poland made by Gerber Products Co. and International Paper Co.

Three days before this month's elections, the glass manufacturer Owens-Illinois Inc. signed an agreement with the government to buy Poland's largest glass producer, Jaroslaw.

The deal, Owens-Illinois's first investment in Eastern Europe, is conditioned on the American company raising \$25 million for improvements at the Jaroslaw factory, according to John Hoff, an Owens-Illinois spokesman.

Asked whether the election results would affect the borrowing, Mr. Hoff said, "We'll have to see."

After the elections, the Democratic Left Alliance, the successor party to the Commu-

nists — which gained 30 percent of the vote — quickly issued assurances that it wanted foreign investment in Poland, which has totaled about \$2 billion since 1989, to continue.

But, having promised during the campaign to raise pensions, and facing pressure to satisfy other social demands, a new government might find it necessary to raise customs du-

'We'd like to have more time to see whether the new government will increase taxes.'

Zbigniew Niemczycki, a Polish business executive

ties and taxes on businesses and give more protection to Polish workers, business executives said.

The alliance has been conducting talks to try to form a government with other political parties, particularly the Polish Peasants Party, which was allied with the Communist regime.

Zbigniew Niemczycki, chairman of Curtis Cos., a conglomerate of Polish electronics, construction, aviation and health care companies, indicated in an interview that he was delaying at least one major investment until the new government had made its economic plans clear.

"We'd like to have more time to see whether the new government will increase taxes," he said. "If they deliver what they promise in social services, they will have to get the money from someplace. One of the choices could be to increase taxes, which would be a killer for the economy and bad for unemployment." Construction of a planned \$25 million industrial park in Warsaw, scheduled to start early next spring, would be postponed until midyear, he said.

Some companies are not concerned about the possible political changes. Cadbury Schweppes PLC announced plans last month to invest £20 million (\$30.1 million) to build a candy factory in western Poland.

The company said the country's "consistent economic policies and substantial growth prospects" were behind the decision to locate in Poland rather than elsewhere in Eastern Europe. And the election had not changed that view, Chris Milburn, the company's director of communications, said in London.

An estimated \$1 billion has been committed by American companies for additional investment in Poland, including \$500 million announced last month by PepsiCo Inc. for its snack, beverage and restaurant businesses. Poland's largest foreign investor is Fiat SpA, the Italian automaker.

Large and experienced investors such as these, who were in Poland before the 1989 collapse of the Communists, were unlikely to be affected by the latest political turns, analysts said.

SAS Chief Resigns, Plans to Work on 4-Airline Alliance

Compiled by Our Staff From Dispatches

STOCKHOLM — Jan Carlzon resigned Monday after a dozen years as chief executive of Scandinavian Airlines System to work on forming an alliance of SAS, KLM Royal Dutch Airlines, Swissair and Austrian Airlines.

SAS said Mr. Carlzon would continue to represent the airline in negotiations toward establishing a joint holding company for the four airlines and would join senior management of the company, to be called Alcazar, if the talks are successful.

At a press conference, Mr. Carlzon said that a merger of the four airlines would be operational by next April. "If Alcazar happens, it will be ready to fly on April 1, 1994," he said.

The Alcazar project is perhaps the most ambitious merger ever attempted in Europe, and SAS last week said that negotiations were taking longer than planned. Talks are now set to resume in October instead of this month, as previously announced.

Mr. Carlzon said he expected a memorandum of understanding on the merger to be ready sometime in October.

SAS accepted Mr. Carlzon's resignation immediately, and named

Jan Reinas, president of SAS Norway, as group president and chief executive until next April.

Mr. Carlzon joined SAS as chief operating officer in 1980 and became president less than a year later. He focused on business passengers, decentralized the organization, invested heavily in training, and improved service and punctuality dramatically. SAS was making a profit again in Mr. Carlzon's first year as president.

Mr. Carlzon has been strongly criticized by SAS unions, particularly those in Denmark, which have called short strikes repeatedly in the past three years as the airline sought to balance its books by cutting staff. A program to cut 3,500 jobs over two years was announced in 1991.

Some analysts said they believed the abrupt departure after 12 years at the helm of SAS meant Mr. Carlzon was forced to leave due to recently announced losses suffered by the company.

SAS, which reported a first-half pre-tax loss of 609 million kroner (\$75.2 million), denied he was being ousted. "If we had not been satisfied with Jan Carlzon's performance we would have ended his contract earlier," said Tage Andersen, chairman of SAS.

(AP, Reuters)

Investor's Europe				
Frankfurt DAX	London FTSE 100 Index	Paris CAC 40		
Exchange	Index	Monday Close	Prev. Close	% Change
Amsterdam	CBS Trend	124.30	123.90	+0.40
Brussels	Stock Index	6,514.96	6,511.13	+0.05
Frankfurt	DAX	1,912.18	1,886.66	+1.40
Frankfurt	FAZ	735.74	727.26	+1.18
Helsinki	HEX	1,390.09	1,373.74	+1.19
London	Financial Times 30	2,321.80	2,308.20	+0.55
London	FTSE 100	3,028.30	3,005.20	+0.70
Madrid	General Index	283.73	280.47	+1.16
Milan	MIB	1,306.00	1,281.00	+1.16
Paris	CAC 40	2,108.61	2,092.60	+0.77
Stockholm	Aftersvaerden	1,578.85	1,568.12	+0.68
Vienna	Stock Index	N.A.	414.56	
Zurich	SBS	847.00	838.00	+1.07

Sources: Reuters, AFP
International Herald Tribune

Very briefly:

- BCCI Overseas' former chief of treasury, Syed Ziauddin Ali Akbar, pleaded guilty in London to charges of false accounting involving more than \$745 million to the first British trial stemming from the 1991 failure of Bank of Credit & Commerce International.
 - Ceres SA, the French holding company of the Italian businessman Carlo De Benedetti, had a group net loss of 97 million francs (\$16.8 million) in the first half, down from a loss of 377 million francs a year earlier.
 - Hoogovens NV, the Dutch steelmaker, said it would eliminate 400 more jobs by 1996, in addition to the 1,000 cuts already announced, saving the outlook for Europe continued to show little sign of improvement.
 - Peninsular & Oriental Steam Navigation Co. said it would cut as many as 450 jobs to streamline operations before the opening of the Channel tunnel. Freight services in the tunnel between France and Britain are due to start in March 1994 and passenger services in April.
- Reuters, AFP, Knight-Ridder

Grand Met Back in Favor Despite Charge

Compiled by Our Staff From Dispatches

LONDON — Despite its announcement of a £175 million (\$262.6 million) charge, analysts and investors turned positive Monday on Grand Metropolitan PLC, comparing it favorably to other British food and beverage conglomerates.

The company said it would lay off 3,000 workers, many in North America, as part of a restructuring. Analysts viewed the move positively because the company said the two-year program would eventually save it £80 million a year. "They'll pay back the charge very quickly," said Alex Oldroyd, analyst at Societe Generale Strauss Turbault. "That's what's good about it."

Analysts said Grand Met's statement was broadly in line with expectations and painted a more "upbeat" picture of market conditions than recent revelations from Allied-Lions PLC and Guinness PLC. Grand Met shares rose 40 pence,

to 403 pence on the London Stock Exchange, with several major brokerage houses recommending the stock. Trading volume was heavy at 10 million shares.

Not all the details of the restructuring were provided, but many of the 3,000 layoffs are to be at the conglomerate's Green Giant vegetable business and Pearle Vision optical stores in North America. About £65 million of the charge will be for food-related items, and £50 million involves Pearle Vision, which will close an unspecified number of its 1,000 U.S. stores and end its small presence in Germany, said Neil Garnett, a Grand Met spokesman.

In Minneapolis, Grand Met's Pillsbury Co. subsidiary said it would cut 600 employees and close four facilities over the coming 18 months. Three of the plants are in Canada; the other is in California. A plant in Ohio will end vegetable processing and make only pizzas. "The rest of the job losses will occur throughout Grand Met's global operations, the company said in a statement that apparently was issued at least in part to calm stock traders who were unnerved by a management shake-up on Friday.

Grand Met said Friday that George Bull, head of its food operations and third-ranking executive in the company, would be its next chief executive. Ian Martin, the chief operating officer and Mr. Bull's superior, was widely expected to assume the chief executive functions, which are being given up by Sir Allen Sheppard, the chairman. Traders then began dumping Grand Met stock on rumors that the company would be reporting disappointing earnings for the year ending Sept. 30.

Grand Met said Monday, however, "there has been no significant change in trading conditions" since it reported in May that six-month pre-tax profit was up 5.6 percent. It predicted profit for the year to September before exceptional items and tax of about 5 percent over the previous year's £871 million. That rise is after a £24 million charge for new Brazilian accounting standards related to inflation, but before the £175 million restructuring, indicating a profit of about £739.6 million.

Julie Bower, analyst at Credit Lyonnais Laing, said she expected Grand Met to post pre-tax profit of about £715 million.

Since May, Grand Met said there had been no significant change in trading conditions. It said hoped-for gradual improvements in the United States and Britain had been "slow in coming," and encouraging signs of economic growth had "yet to translate into sustained increases in consumer confidence."

Grand Met said there had also been a continued softening in many Continental European markets.

(AFP, Bloomberg, AP, UPI)

Procordia Lifts Profit

Bloomberg Business News

STOCKHOLM — The Swedish food and drug concern Procordia AB, which plans to split into two companies, said Monday that its first-half pre-tax profit had risen to 2.62 billion kroner (\$325 million), from 2.20 billion a year earlier.

Because of the planned split, Procordia has shortened its financial year to the six months ended June 30. Operating profit in that period rose to 2.5 billion kroner from 2.1 billion, mainly because of exchange-rate changes.

A loss of 277 million kroner was incurred in its part-owned hotel business, and charged to

operating profit, a company statement said.

Sales rose to 21.6 billion kroner from 19.8 billion.

Procordia said its shareholders would be entitled to one share in the new food and tobacco company BCP for each A or B share they held, in the first step of the split. The transfer of the BCP shares will make a dividend.

Holder of Procordia debentures secured on the company's general assets and maturing in 1995 also will be entitled to the special dividend, provided they convert the loan to shares by Oct. 29.

For investment information

read THE MONEY REPORT every Saturday in the IHT.

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PARIS - NOVEMBER 9-10 - 1993

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- Edmond Alphandery, Minister of the Economy, France
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- Thomas J Casey, Partner, Skadden, Arps, Slate, Meagher & Flom, Washington, DC
- Wim Dik, Chairman of the Board of Management, Royal PTT Nederland NV, The Hague
- Vladimir Dlouhy, Minister of Economy & Trade, Czech Republic
- Sylvain Hefes, Managing Director, Goldman Sachs International Limited, Paris
- David Holmes, Director of Government and Industry Affairs, British Airways plc, London
- Edmond Israel, Chairman of the Board of Directors, Luxembourg Stock Exchange, and President, Federation of European Stock Exchanges
- Tamás Iványi, Director of Privatization, Hungarian State Holding Company, Budapest
- Bessel Kok, Chief Executive, RTT-Belgacom, Brussels
- Abel Matutes, Commissioner for Transport and Energy Policy, European Commission, Brussels
- Michel Peberczan, Chairman, Banque Nationale de Paris
- Luigi Spaventa, Minister of the Budget, Italy
- Peter Sutherland, Director-General, GATT, Geneva
- Stefan Syzmaniak, Professor and Author, London Business School
- Robert Worcester, Chairman, Market & Opinion Research International Ltd (MORI), London
- Salvatore Zecchini, Assistant Secretary-General, OECD, Paris

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- The corporate experience: Strategies for success
- Approaching the markets: Risks and potential rewards
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NYSE

Monday's Closing Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trading elsewhere. Via The Associated Press

(Continued)

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, 1993 High, Low, Last, Change. Lists various NYSE stocks and their performance metrics.

European Steel Outlook Stays Weak

GENEVA — The troubles of Europe's striking steel industry are unlikely to diminish this year, but the United States and Japan are expected to see growth, a United Nations report said Monday. The report, issued annually by the UN's Economic Commission for Europe, predicted U.S. steel shipments would rise 4 percent this year, reflecting economic growth. In Japan, where output dropped 10.5 percent and consumption by 15.1 percent in 1992, the report said a slight increase in production was forecast for this year despite falling consumption, especially in construction and manufacturing. The report, called "The Steel Market in 1992," had a gloomier assessment for Europe. "For 1993, forecasts indicate that the steel sector of the EC will continue facing a difficult situation," it said. "Steel demand continued to fall during the first quarter of the year due to the drop in activity of the main consuming sectors," the study said, listing tubes, shipbuilding, construction, engineering and the automobile industries. European Community consumption of steel products from all sources was expected to drop by 7.1 percent over the year. This would represent a decline of nearly 7.5 million metric tons, against a reduction of only 574,000 tons in 1992 from 1991 consumption of 107.1 million tons. The industry in the 12 member countries of the EC is working on a restructuring plan that would involve cuts in capacity. The report said production forecasts for 1993 were difficult amid divergent market trends, but although producers could have some success in balancing supply and demand the official forecast of 129 million tons might be optimistic.

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, 1993 High, Low, Last, Change. Lists various international stocks and their performance metrics.

INTERNATIONAL FUNDS

Large table listing various international funds with columns for fund name, share price, and other details. Includes sub-sections like EUROPEAN FUNDS LIMITED, MATTHEWS INTERNATIONAL, and PRIMER INVESTMENT FUNDS LTD.

For information on how to list your fund, fax Simon OSBORN at (33-1) 46 37 21 33.

سكزا من الأصل

JAL Shuffles Its Global Schedule

TOKYO — Japan Air Lines Co. will rearrange its international flight schedule to maximize profits and minimize costs, a company spokesman said Monday.

Japan Slips in Gulf Trade High Yen and Import Curbs Are Cited

ABU DHABI — Japan is losing its two main markets in the Gulf — Iran and Saudi Arabia — to the rising yen and Iranian import restrictions, according to an official Japanese report.

Khoo Will Take Executive Post at Hutchison Telecom

HONG KONG — Hutchison Whampoa Ltd. said Monday it had appointed Khoo Chek Ngee as group managing director of its Hutchison Telecommunications Ltd. unit, succeeding Richard Siemens, who it said had resigned.

Wheelock Name To Be Revived In China Trade

HONG KONG — The old British merchant house of Wheelock will again trade in China when a Hong Kong conglomerate, World International (Holdings) Ltd., revives its famous ancestor's name.

Shiseido Loses Court Fight With Retailer

TOKYO — Discounters won a round in their battle with Shiseido Co., when the Tokyo District Court ordered it to supply a retailer that puts the company's cosmetics on store shelves rather than dispensing them through sales personnel.

Discounters and foreign companies, however, have complained that the Shiseido requirements were part of a distribution system that limited competition.

EC: Belgium Suggests Protection

Continued from Page 17 al made at a meeting of EC transport ministers Monday.

GUCCI: Struggle Ends

Continued from Page 17 Italian and U.S. operations were even split each other.

OPEC: A Quest for Cuts

Continued from Page 17 other major producer, also was considered a likely candidate for a production freeze at 22 million barrels a day.

Investor's Asia table with columns for Hong Kong Hang Seng, Singapore Straits Times, Tokyo Nikkei 225, and various regional indices.

Very briefly:

- Six Japanese banks said they would cut their long-term prime-lending rates by 0.3 of a percentage point, to 4.5 percent, effective Friday.

Nissan Spreads Production

TOKYO — Nissan Motor Co. plans to extend production of its new Asian-produced car to Malaysia this year and the Philippines by mid-1994, a company spokesman said Monday.

COMPANY RESULTS

Table of company results for various regions including France, Britain, Sweden, Switzerland, and the United States.

INTERNATIONAL CLASSIFIED

Large classified section containing real estate listings, business opportunities, and recruitment notices from various international firms.

SPORTS

Saints Put End To 49ers' Jinx

Last-Second Field Goal Lifts New Orleans to a 4-0 Record

By William C. Rhoden
New York Times Service
NEW ORLEANS—Finally, the jinx is broken.

The talk all week in New Orleans centered on what the Saints would have to do to break the three-game jinx San Francisco has held over them for the last two seasons. In the end, all the Saints needed

open and Saints fans fearing the game would end like the last three, with New Orleans dominating the game but coming out on the losing end.

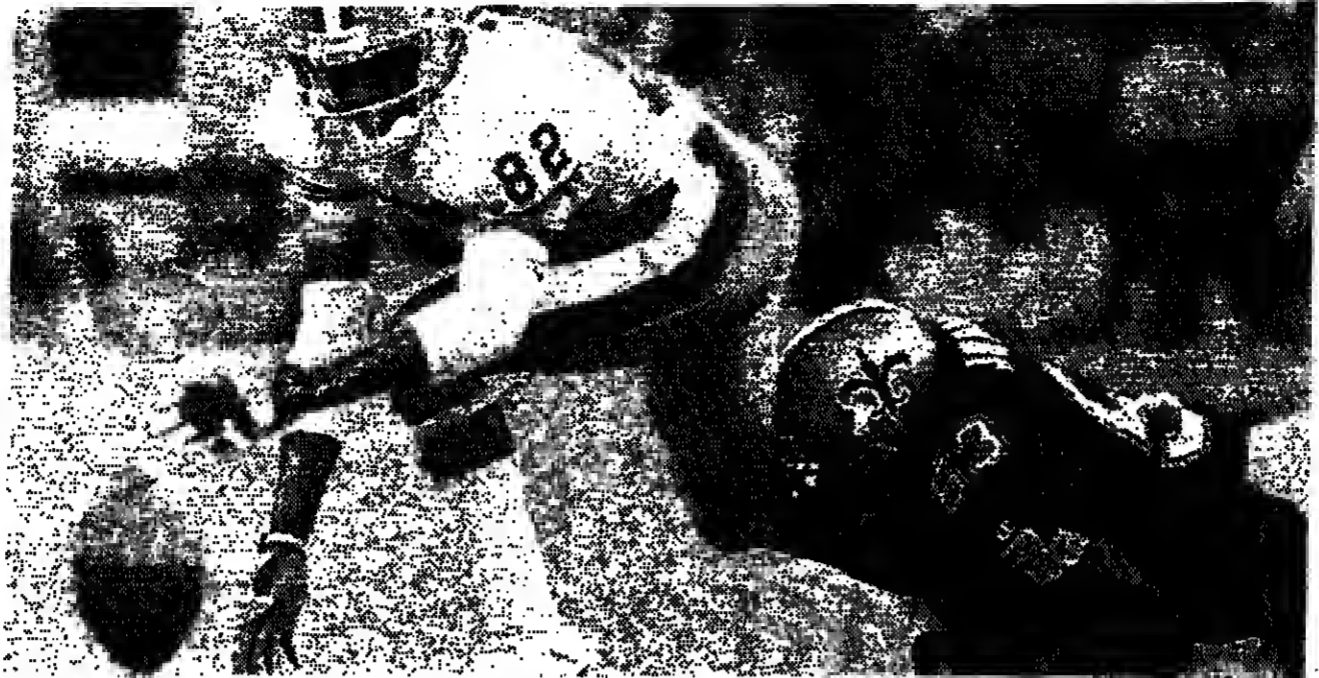
San Francisco (2-2) tied the score on Mike Cofey's 30-yard field goal with 1:25 left. But the Saints' offense, which had sputtered for most of the game, mounted enough punch to push the ball to the 32-yard line. That proved to be close enough for Andersen.

"It's a nice change for us to find a way to win at the end against a great football team," said the Saints' coach, Jim Mora. "We've been in situations when you bite your head off for 60 minutes only to see them find a way to get it done. Today we were able to do that, it's a good feeling."

The Saints' defense certainly did its part, punishing 49ers runners, receivers and quarterback Steve Young at every turn.

On the seventh play of the opening drive, San Francisco's John Taylor fumbled when Vaughn Johnson stripped the ball from him after an open-field catch.

New Orleans took over on the 49ers' 33-yard line and started off doing everything right against San Francisco. With Derek Brown continuing his hot running streak, the Saints reached the 17-yard line. But there the drive died with an incom-



San Francisco's John Taylor (82) fumbled under pressure from Vaughn Johnson. New Orleans recovered and drove on to a field goal.

plete pass, a snuffed out draw and another incomplete pass.

New Orleans settled for Andersen's 30-yard field goal.

The Saints' defense continued to tee off on Young, forcing a head-twisting sack on third and 1 at the 49ers' 29-yard line. San Francisco punted, but the Saints offense pushed the ball back four plays later.

San Francisco was stymied once again and gave New Orleans another crack after a 51-yard punt by Klaus Wilmsmeyer.

This time, the Saints converted. With Brown running inside and out and Eric Martin making clutch catches, New Orleans set up a second and 10 on the San Francisco 10 after Wade Wilson hit Torrance Small on a quick post pattern.

Brown ran the ball to the one-foot line, and on third-and-goal inched over for the touchdown with 11:31 left in the second quarter.

In other games, The Associated Press reported:

Jets 45, Patriots 7: In East Rutherford, New Jersey, Bill Parcells' team did not look anything like the team he used to coach at Giants Stadium. The Patriots (0-4) gave up 35 straight points in a first half in which they were outgained 233 yards to 41.

"We were completely outclassed in every way," Parcells said. "That wasn't even a good scrimmage."

Seahawks 19, Bengals 10: In Cincinnati, Harold Green of the Bengals (0-4) fumbled in his own end zone with 4:26 left and Rod Stephens pounced on it for a touch-

down, giving Seattle (2-2) the deciding points.

"That's a game that makes old men of coaches," said the Seattle coach, Tom Flores.

In earlier games, reported in some Monday editions:

Colts 23, Browns 10: In Indianapolis, the Colts (2-1) kept Cleveland (3-1) from becoming the league's second 4-0 team.

Vinny Testaverde came off the bench again to attempt a fourth-quarter comeback, threw an interception and fumbled in the end zone on Cleveland's last two chances. Jeff Herrod led on the second one for the final touchdown with 1:19 to go.

Jack Trudie led the Colts on a 65-yard drive ending in a six-yard TD run by Anthony Johnson to make it 16-10 with 3:14 left.

Lions 26, Cardinals 20: In Pontiac, Michigan, Andre Ware led his team past Phoenix (1-3) with an 11-of-24, 194-yard afternoon.

Detroit (3-1) recovered a fumble by Steve Benczinger with just under two minutes left, ending Phoenix's last chance for a tying score.

Dolphins 23, Bills 13: In Miami, the Dolphins scored the first four times they touched the ball, and handed Buffalo its first loss in his 1-up loss to Chip Beck, and Constantino Rocca missed a 3-foot putt at No. 17 that might have kept Europe alive long enough for Nick Faldo to win in the final match against Paul Azinger.

But by the time Faldo reached

Europe's Golfers: A Stunning Fall

By Ian Thomson

SUTTON COLDFIELD, England — Most of the charisma of golf today has a European accent — English, Welsh, Spanish and German — which only adds to the surmise of Europe's disaster, when it failed to win any of the last eight singles matches in losing the 30th Ryder Cup to the United States, 15-13.

Ian Woosnam of Wales, the event's hottest player, failed to protect a 2-up lead over the last eight holes in his halved match with Fred Couples. Seve Ballesteros was six over on the front nine of his 3 and 2 loss to Jim Gallagher Jr., a Cup rookie and a last-minute replacement for Lanny Wadkins. Wadkins offered to withdraw when Sam Torrance of Europe was sidelined by an infected toe.

Bernhard Langer of Germany, a two-time Masters champion, was walloped, 5 and 3, by the former U.S. Open champion Tom Kite. Ballesteros's Spanish protégé, José María Olazábal, was beaten, 2-up, by the oldest Ryder Cupper ever, 51-year-old Raymond Floyd, the only player to undergo a bogey Sunday.

Other European defeats were more predictable yet were shocking in their context: Barry Lane relinquished four of the last five holes in his 1-up loss to Chip Beck, and Constantino Rocca missed a 3-foot putt at No. 17 that might have kept Europe alive long enough for Nick Faldo to win in the final match against Paul Azinger.

But by the time Faldo reached

the 18th, the Cup had already been retained by the United States for the 24th time.

Thus did the Europeans waste an opportunity to hold the Cup for the fourth time in five meetings. As the former U.S. Open champion, Johnny Miller has pointed out, the European squad is peaking around its breakthrough group of Ballesteros, Faldo, Langer, Woosnam and Sandy Lyle, the last of whom did not qualify for this year's team. All are in their mid-30s, born within a year of each other, and there will be reason to question the Continent's strength as those men approach 40.

They are reaching that sad age when creative minds get bumped upstairs to management. The retiring European captain, Bernard Gallacher, suggested Sunday that he be replaced at the 1995 Ryder Cup — to be played at Oak Hill in Rochester, New York — by none other than Ballesteros.

It would be "unthinkable," Gallacher said, that Ballesteros would not serve as captain when the Ryder Cup came to Spain in 1997.

Ballesteros seemed to withdraw his name. "We have to send a captain to New York, not only someone with a very good record, but someone who speaks very good English," he said. He then nominated Faldo.

Faldo yammered on and on, as he does, not leaving much indication whether he might be interested, and then he was thankfully interrupted by Ballesteros.

"See, now he don't speak English so good," the Spaniard said.

NFL ROUNDUP

was a strong leg — Morten Andersen.

Andersen's 49-yard field goal with 5 seconds left lifted New Orleans to a 16-13 victory over the 49ers, improved their record to 4-0 and sparked a thunderous celebration by 69,041 fans in the Superdome.

It was that simple. Well, actually, it wasn't.

New Orleans, a loser to the 49ers twice last season and once in 1991, led by only 10-0 after the first half, despite having dominated the 49ers.

The 49ers cut the lead to 10-3 on a third-quarter field goal by Mike Cofey and tied the score on a 23-yard run by Mark Logan with 7 minutes, 57 seconds left in the period.

The Saints surged ahead again with a 39-yard field goal by Andersen with 2:30 left to the quarter. That left the fourth quarter wide

SCOREBOARD

BASEBALL

Major League Standings

Table with columns for Team, W, L, Pct., GB. Lists standings for American League (East, West) and National League (East, West).

Sunday's Line Scores

Table listing scores for various baseball games on Sunday.

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COMICS

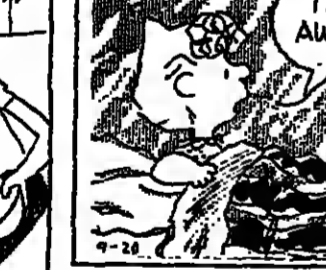
DENNIS THE MENACE



Mr. Wilson wants to know when your gonna send him my 'topical' papers.

COMICS

PEANUTS



I'M AWAKE!

BUT I CAN'T GET DRESSED RIGHT AWAY.

MY SOCKS ARE STILL SLEEPING.

COMICS

WIZARD OF ID



HOW MANY PEOPLE WORK THERE?

JUST ONE.

HOW COULD ONE PERSON WARRANT A BUILDING OF THAT SIZE?

COMICS

REX MORGAN



FOR THE LAST TIME—WHERE ARE THE DIAMONDS?

I TOLD YOU THEY'RE NOT HERE!

GULP!

YOU WILL TELL ME—OR DIE!

HARM HIM—AND YOU WILL NEVER SEE THE STONES!

COMICS

GARFIELD



I'M CALLING BELINDA, AND BOY AM I NERVOUS!

HELLO, BELINDA? THIS IS JON ARBU.

CLICK.

WHEW, I'M GLAD THAT'S OVER.

SEE THAT WAS GO BAD.

COMICS

JUMBLE

Jumble word search puzzle with words like OUMID, SUHOE, GREFOT, YOUTCH.

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SPORTS

With Swift's 20th Victory, Giants Still Dog Braves

The Associated Press Billy Swift became the Giants' second 20-game winner and Barry Bonds hit his fourth home run...

NL ROUNDUP

The Giants, who trail the Braves by a game in the loss column. The Braves beat Philadelphia on Sunday, but were idle Monday...

nearly knocked him off his feet, and Bonds drove the 1-2 pitch into the right-field seats.

Barry is the MVP of the league hands down," Baker said. "There are guys having good years like Gant and Dykstra, but none have the impact Barry has."

Rockies 12, Reds 7: Andres Galarraga hit a two-run homer and Eric Young a pair of solo shots...

wasn't enough as Houston's Mark Portugal won his 11th straight. Piazza is the first Dodger with 100 RBIs since Pedro Guerrero in 1983.

Braves 7, Phillies 2: Jeff Blausler's two-run single started a four-run seventh inning to snap a tie and Atlanta went on to win in Philadelphia, its 100th victory.

Cardinals 10, Marlins 7: Bernard Gilkey hit a home run and drove in three runs and Stan Royer added three RBIs as St. Louis won in Miami.



The Giants' Kirk Maunwing failed to prevent the Padres' Luis Lopez from turning the double play.

Orioles See Their Pennant Hopes Swept Away by the Tigers

By David Nakamura Washington Post Service BALTIMORE — The Baltimore Orioles spent 25 weeks chasing first place. They'll begin their final week trying for second.

AL ROUNDUP

The Orioles, who were forced to play the doubleheader on Saturday's game against the Tigers were rained out, looked sluggish. The team's final out of the day came when Cal Ripken flied out to right field and Mark McLemore...

over "til they clinch," said Franco. "We're not going to quit."

Baltimore was in second place Sept. 12, 1 1/2 games behind Toronto, but a 3-6 road trip buried its hopes. The Orioles came home Thursday in third place, 5 1/2 out.

16th of his career. It was his first five-RBI game since May 22, 1988. Brett, who leads the Royals with 73 RBIs, has four home runs in his last five games and 19 this season.

Johnson, at 301 strikeouts, is the first pitcher to top 300 since Nolan Ryan fanned 301 in 1989. The other to do it are Vida Blue, Steve Carlton, Bob Feller, Walter John-

son, Sandy Koufax, Mickey Lolich, Sam McDowell, J. R. Richard, Mike Scott and Rube Waddell.

Twins 5, Red Sox 2: Mike Trombley (6-5) allowed one run and five hits in six innings for his first victory as a Minnesota starter

since Aug. 14, and Rick Aguilera pitched the ninth in Boston for his 33rd save.

John Jaha homered twice for the Brewers, who got two runs and four hits in two-thirds of an inning off Mike Ignasiak.

HIGHLIGHTS

Faldo Sets Record as World No. 1

LONDON (AFP) — Nick Faldo of Britain is the world's No. 1 golfer for a record 63d consecutive week, according to computer rankings released on Monday.

WBC Confirms Lewis-Bruno Referee

TOKYO (Reuters) — Mickey Vann, who was involved in a scoring controversy two weeks ago, has been confirmed as referee for Saturday's World Boxing Council heavyweight title bout between Lennox Lewis and Frank Bruno in Cardiff, Wales, despite the objections of the Bruno camp.

Van Basten's Return Date Uncertain

MILAN (AP) — The timing of Marco Van Basten's comeback with the Italian soccer champion AC Milan remained uncertain Monday, as doctors could not authorize resumption of full-time training for the long-limbed Dutch international striker.

Swiss Yacht Leads Whitbread Race

SOUTHAMPTON, England (AFP) — Switzerland's Merit Cup kept up its explosive pace in the Whitbread Round the World yacht race on Monday.

For the Record

Byun Jung Il of South Korea regained the World Boxing Council bantamweight title when Joichiro Tatsuyoshi of Japan gave up his provisional title on Monday because of an eye injury.

Is McEnroe Too Testy to Lead U.S. Team?

By Robin Finn New York Times Service

CHARLOTTE, North Carolina — First his players plotted a 5-0 sweep of their congenial Davis Cup challengers from the Bahamas in a face-saving relegation match.

Frazer said Sunday, "but I honestly believe that having played Davis Cup is a factor."

What is not a factor, insisted Frazer, is McEnroe's tendency to soub the association, a habit most lately on display in his challenge to the Davis Cup committee to go ahead and hire him for the captaincy if they want to find out if he is sufficiently "grown up" to handle it.

"I've heard the phrase about letting the inmates run the asylum applied to the issue of John and the captaincy, but that's not what's going on here," said Frazer. "I absolutely will take the players' opinions into consideration. But in the end, I'm going to do what's in the best interests of the team."

Wilder Linked to Swedish Job

Mats Wilander may replace John-Anders Sjogren as Sweden's Davis Cup captain, the Svenska Dagbladet reported Monday, according to The Associated Press.

ITF Fines Agassi for Match Smb

The International Tennis Federation fined Andre Agassi on Sunday for refusing to play his reverse singles match against the Bahamas.

Seoul Bettors Riot After Horse Is Disqualified

Compiled by Our Staff From Dispatches

SEOUL — Thousands of angry bettors, convinced that a horse race had been rigged, went on a three-hour rampage at the Kwachon race course, the police said on Monday.

Witnesses said some protesters broke into a building, smashing windows and setting fire to chairs. Others fought race officials and burned their betting stubs.

The protesters dispersed after hundreds of riot police arrested. Thirty people were injured. A police spokesman said four protesters were arrested and were being questioned.

News reports said about 80 percent of the 2 billion won (\$2.5 million) bet on the race had been put on the horse under a system in which bettors pick two horses to finish first and second regardless of order.

injury, according to the trainer Mack Miller. The Associated Press reported.

A small calcium deposit was discovered just above the colic's knee joint after Sea Hero's third-place finish last week in Woodbine's Motson Export Million, Miller said.

Sea Hero also won the Travers at Saratoga, and would have figured as a major contender in this year's Breeders' Cup Classic.

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World Soccer Bans Marseille From 2 Cups

Compiled by Our Staff From Dispatches

ZURICH — Olympique Marseille, barred from defending its European Champions' Cup title this season, was banned on Monday from playing for soccer's Intercontinental Cup and Super Cup.

Lenart Johansson, the president of soccer's European governing body, UEFA, said AC Milan would take the place of Marseille in the Intercontinental Cup against the South American champion, Sao Paulo, and in the Super Cup against Italy's AC Parma, the European Cup Winners' Cup holder.

The sanctions were announced after a meeting between the leaders of FIFA, soccer's world governing body, and UEFA.

Marseille's owner, Bernard Tapie, was defiant about the ruling, which marked a low in his team's fall from soccer supremacy.

"We will have our revenge," he told French radio. "We will not die. It's a never ending story," he added. "No more league title, no more French Cup, no more European Cup, and now no more Super Cup and Intercontinental Cup. All that is a lot on the basis of accusations which still have not been proved."

Tapie called the ban "unfair," but said that he would not quit. "I feel like shouting because it's unfair," he said, "but I will not disappear just because a handful of crooks are trying to do us down."

FIFA's general secretary, Joseph Blatter, said Marseille's former general manager and three players at the center of match-rigging allegations would be banned from soccer activity internationally.

He said that the ruling was based on the decision last week by the French soccer federation to strip Marseille of its 1993 national championship title, bar the club's former general manager, Jean-Pierre Bernes, indefinitely, and suspend the three players pending the outcome of the French judicial investigation into the affair.

"We have to protect soccer," Blatter said. "We have to maintain order, respect and discipline in an organization which groups 178 national associations and more than 200 million players."

of stripping Marseille of its European title, the first ever won by a French team. Johansson said there had been no discussion about extending the European ban on Marseille beyond the current season.

"In the present situation I see no reason to do so," he said. "The investigation in France is not yet finalized so we have to see what comes out of it."

The decision deprived France of the South American champion, Sao Paulo, and in the Super Cup against Italy's AC Parma, the European Cup Winners' Cup holder.

The sanctions were announced after a meeting between the leaders of FIFA, soccer's world governing body, and UEFA.

Marseille had hoped to play both competitions to earn about 50 million francs (\$8.7 million) to make up for revenue lost because of the Champions' Cup ban.

The president of the French league, Noel Le Graet, said Monday that Tapie should quit. "I think he should step down," he said on French radio. "He wants to go, you can feel it, Marseille is a superb showcase which dramatically lacks money and sponsors."

Milan's coach, Fabio Capello, said he was pleased that his team would be competing in the cups.

But the former Marseille star, Jean-Pierre Papin, who now plays for Milan, said: "I don't think it's right that Marseille cannot play these two finals. If they have been allowed to retain the title, they should also be able to enjoy the consequent rights."

Milan lost 1-0, to Marseille in the Champions' Cup final on May 26. The French league match around which the bribery allegations were based was played six days earlier between Marseille and Valenciennes. Bernes has been accused of paying or trying to pay Valenciennes players up to 200,000 francs to go easy on Marseille.

Two players from Valenciennes, Christophe Robert and Jorge Buruchaga, were sanctioned in the case for allegedly receiving money. A Marseille player, Jean-Jacques Eydelie, was the alleged middleman and also was banned.

Marseille faces possible further sanctions in France for crowd violence at a Friday night match, against Metz. (AP, Reuters)

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ART BUCHWALD

TelePrompTerror

WASHINGTON — In Washington President Clinton's recent speech to Congress on the health-care system is considered the best he has ever given. But there was one small glitch, which was not of his doing, and it has everyone in the capital biting their nails.



Art Buchwald

As the president got ready to address the nation his TelePrompTer came up with the wrong speech. If he hadn't been able to wing it for 10 minutes the country could have been in even more serious trouble than it is now.

Here's what happened: The TelePrompTer works on a computer that has a hard disk and a floppy disk that store information. The floppy contained the health message — the hard disk had the president's State of the Union speech. Someone, and the search continues to find that someone, pushed the wrong button.

The president started to talk and realized right away that the speech on the screen was not the one he was supposed to be giving. He informed Al Gore who left his seat to tell the White House staff that they would really need emergency health insurance if they didn't fix the problem pronto.

What worries this town is that even with all its fail-safe procedures, there is a possibility that someone could push the hard disk button instead of the floppy and start World War III.

Suppose, for example, that Clinton

started to speak and Franklin Roosevelt's "Day of Infamy" speech about Japan's attack on Pearl Harbor started rolling on the prompter. What if the president didn't realize that it was different from the speech he intended to give on day-care centers? How could he stop the U.S. Air Force from bombing Tokyo before the mistake was discovered?

Here is another "worst case" scenario: The president is ready to address the country on the grave situation in Moscow and reaffirm his support for Boris Yeltsin. The hard disk brings up Lyndon Johnson's famous talk supporting Lady Bird's wildflower beautification program.

The possibilities are fraught with danger — the most frightening is that someone Chevy Chase's monologue could get substituted for the president's warning to Saddam Hussein on arms violations.

In discussing some of the consequences with friends, the question arose as to how different presidents would react if they discovered the incorrect speech on the prompter screen.

The group decided that if Ronald Reagan found himself with the wrong text on his screen he would give it anyway and no one, including him, would know the difference — and he would get a standing ovation.

Gerry Ford would immediately realize what was going on and start telling Bob Hope good jokes.

Richard Nixon would read the first paragraph and then keep repeating, "I am not a crook."

If it happened to George Bush he would pull Barbara Bush out on stage and hug her.

Jimmy Carter would just put on a frozen smile and not say anything.

Garfunkel, at 50, Sings His Own Song

By William Grimes

NEW YORK — Since Paul Simon and Art Garfunkel went their separate ways in 1970, an entire generation has grown up and gone through college, total strangers to a time that found dark solace and spiritual nourishment in songs like "The Sound of Silence" and "Bridge Over Troubled Water."

They do not know those special late-night moments, usually thick with marijuana smoke and illuminated by lava lamp and black light, when Garfunkel's sweet, haunting tenor hung in the air like an inspired afterthought. Impassioned, romantic, innocent, it was the voice of the late '60s for the young middle-class with poetic leanings.

The melody lingers on. People stop Garfunkel on the street and corner him at social events to explain in full detail exactly what his music meant to them. Garfunkel says this is fine by him.

"They're trying to say something — 'You touched me more deeply than you realize,'" said Garfunkel. "It was the language of thinking college people at that time, and they're saying that my singing got to them a little."

Certainly the Paramount theater has had little trouble selling tickets for a retrospective concert chronicling the career of Simon, with the first third of the program set aside for a Simon and Garfunkel reunion, always a potent draw. Originally, a series of 10 shows was planned, but 11 more shows had to be added, with the top ticket priced at \$100.

All told, more than 100,000 people will see the show. The baby boomers among them will no doubt experience a pang when Garfunkel disappears after the first act. Their younger brothers and sisters, and in some cases their teenage children, will wonder, so what happened to the tall guy with the blond hair?

Well, there have been good times and bad times, times when the air crackled with anger and jealousy between the two men, and moments of sweet reconciliation.

Two years ago, the relationship hit a new low when Simon took the stage in Central Park without Garfunkel, a pointed gesture, since the two had performed in the park a decade earlier before half a million people. Garfunkel did not dispute the hurt. "I'm not good enough to be invited," he said before leaving town.

Now is one of the good times. Last year, Simon and Garfunkel gave two benefit shows on Broadway that received rapturous

reviews. The pair followed up with a somewhat longer show for charity in Los Angeles. "It was wonderful, musical and sweet," said Garfunkel. "The blend was there."

The good feelings from the Los Angeles show, as Garfunkel describes it, will carry right through to the Paramount, and beyond, since he and Simon, beginning in November, will take the Simon and Garfunkel part of the concert on the road to Canada, Japan and Singapore.

In a different mood, Garfunkel might have had a few words to say about the format of the concert, subtly titled "The Concert Event of a Lifetime." After all, it is emphatically a Paul Simon concert, with two of its three acts devoted to Simon's solo career and his work with groups like Ladysmith Black Mambazo, the Mighty Chimes of Joy and Rhythm of the Saints. In other words, not Art.

But Garfunkel is feeling generous. Sitting behind a polished desk in the midtown Manhattan offices of his publicists, he looks surprisingly unchanged at 50, a little thicker around the middle but retaining the puff of blond hair, which sticks out around a Philadelphia Phillies cap, and the choirboy aura. "I love working with Paul acoustically," he said, "that's the key to the whole thing. I really believe in Simon and Garfunkel as an acoustic act, and I have a lot of appetite for this."

Simon, for his part, has made it abundantly clear in interviews that, regardless of his personal affection for Garfunkel, they now pursue different destinies, and no Simon and Garfunkel album is in the cards.

The freeze-out may not bother Garfunkel as much as it has in the past. The concert comes at a time when Garfunkel, after a quiet period, has projects on the table. He is a co-star in Jennifer Lynch's new film, "Boxing Helena." He has just finished his eighth solo album, for Sony Records, "Up Till Now," which is due out next month.

For the last year he has been touring in the United States and Europe. He and his second wife, Kim Carnes, an actress and singer, are about to celebrate their fifth anniversary, and they have a 2-year-old son.

The long-running (since sixth grade) Simon and Garfunkel act came to an end in 1970 in an atmosphere of emotional turmoil, with plenty of blame to go around. Garfunkel contributed his share of difficulties by constantly leaving recording sessions for "Bridge Over Troubled Water" to make his acting debut in "Catch-22."

Initially, the two seemed to be headed off



Now it's good times in Garfunkel's up-and-down relationship with Paul Simon.

to equally distinctive careers. Garfunkel received respectful reviews as Captain Nately in "Catch-22" and as Jack Nicholson's friend Sandy in "Carnal Knowledge," both produced and directed by Mike Nichols, who had commissioned Simon and Garfunkel to write the soundtrack for the 1967 film "The Graduate."

In 1973 he released his first solo album, "Angel Clare," a romantic, introspective collection that set off his voice to advantage. A couple of singles, "Second Avenue" and "All I Need," did well on the charts, and "Watermark," his 1977 album of songs by Jimmy Webb, won critical praise for its perfect marriage of voice and material.

But then time seemed to stop. Simon's career took off in sometimes exotic new directions, as he teamed up with African and Brazilian musicians. Garfunkel seemed to be stuck. Some critics had worried that the lush, fervid music of his first few albums was a little syrupy and one-dimensional. "Fate for Breakfast," "Scissors Cut" and "Lefty" they panned outright.

The acting career stalled. "I only got involved because Mike Nichols thought I could act, something I'd never thought of," said Garfunkel. As Simon's star ascended, Garfunkel increasingly seemed like the forgotten half of

the partnership, on call and always ready for the occasional reunion concert, but when the invitations didn't come.

But now Garfunkel seems like a man who has arrived in a different and better place. He says he has finally learned to enjoy standing alone on a stage and that he looks forward to touring next year.

The relationship with Simon seems less like a shared pain and more like a shared joke, less like Liz and Dick, more like Hope and Crosby.

"There are ambivalent feelings that will never be resolved," Garfunkel said. "It's a bore to go into it any more than that. We definitely enriched each other's lives. That's important."

So is the voice. Garfunkel is clear on that. For the most part, the new album presents his singing in a chaste setting, alone with Jimmy Webb's piano on a remake of "All I Need," or with James Taylor and a single guitar on "Crying in the Rain." It's as though Garfunkel had discovered an easy answer to some complicated problems.

"It's odd in a way that I ended up in show business," he said. "I'm a private, contemplative, philosophical kind of guy. I can sing to please, and people say that I please. I believe in that."

PEOPLE

Madonna's Shock Value Still High in Germany

Has Madonna reached the limit of the shock factor? That's what some London newspapers are saying after she opened her Girlie Show world tour over the weekend in London. Reports say the new show is raunchy as usual but less trash than some in the past. But one man's raunchy is another man's obscene. Norbert Geis, a spokesman for Chancellor Helmut Kohl's party in parliament, said Madonna's performances had gone far beyond the bounds of good taste and suggested that Frankfurt officials adopt an age limit of 16 or 18 years for those who want to see Madonna on Saturday. Reaction from the Frankfurt organizers? "Geis should concern himself with more important matters."

Prince Charles made Clint Eastwood's day when he presented Eastwood a fellowship of the British Film Institute in recognition of his success as an actor and a director. The actress Maureen O'Hara and Sir Denis Forman, a former director of the British Film Institute, also received fellowships.

The supermodel Naomi Campbell has signed on with the Ford agency after her loud split with the Elite modeling agency that made her famous. Elite's founder, Johnny Cashman, was furious, calling Campbell "a spoiled selfish brat who is a mercenary and always goes to the best offer." Ford, which has represented Campbell in Europe, said she made the switch "to fulfill her goals of expanding her career beyond modeling."

John Denver will perform at a fund-raiser in Aspen, Colorado, as a penalty for driving while his ability was impaired by alcohol. "He is choosing to sing only because of his graciousness and generosity," Ellen Anderson, a Pitkin County deputy sheriff, said. A judge ordered him to perform 24 hours of public service. In other moving violations, the actor Daniel Day-Lewis was banned from driving for a week in Cullinpton, England, for speeding on his new motorbike.

INTERNATIONAL CLASSIFIED Appears on Pages 4 & 21

'John' Goes Out of Style

LONDON — John, the most popular first name for Britain's newborn boys for 250 years, is out of favor. The Guinness Book of Names said that between 1700 and 1950 John was always one of the two most popular names chosen by parents of boys. But this year John is 40th on the list of most popular names, Daniel and Matthew are the two most popular.

White House Quakes with Fear

While Washington quakes with fear, White House sleuths are trying to find the inept button pusher. No government punishment exists for someone who screws up the president's TelePrompTer. But the hard-liners in the White House say that if they find him they will trade him to Ross Perot for a running back and two draft choices.

WEATHER

Weather forecast section including Europe, Asia, North America, Middle East, and Latin America. Includes maps and temperature tables.

CROSSWORD

Crossword puzzle section with clues for Across and Down, and a solution to the puzzle from Sept. 27.

Large advertisement for AT&T with the headline "I wonder if the little guy had fun today?" and details about international calling services.

Table of international access numbers for various countries, including ANDORRA, ARMENIA, AUSTRIA, etc.

Vertical advertisement on the right edge of the page, partially obscured, with text like "Cold War" and "Kio".